FINANCIAL TIMES Europe's communists Swing back towards Moscow, Page 13

Moscow, Page 13

EUROPE'S BUSINESS NEWSPAPER

Wednesday July 3 1985

D 8523 B

World news Business summary

Thatcher plays down U.S. new summit factory differences orders

Prime Minister Margaret Thatcher says the UK Government might agree amendments to the Trenty of Rome and would consider carefully any proposais put forward.

She emphasised that the pro-posed inter-governmental conference to consider changes, following the abortive EEC summit in Milan, must deal with practical proposals rather than vague hopes.

Quoting German and French

newspapers which shared her impatience with the other EEC government leaders, Mrs Thatcher stressed that the summit decisions reflected British thinking. Page 14.

Cabinet reshuffle

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Spanish Prime Minister Felipe Gonzalez is expected to drop six ministers from his Cabinet, the first changes since his Socialist Workers' Party took office in 1982.

Leader kidnapped

Gunmen claiming to belong to the Party of the Poor have kidnapped United Socialist leader Arnoldo Martinez in Mexico City during campaigning for next Sunday's election. Page 6.

Election extended

The Zimbabwe Government has hurried through legislation to extend the general election for a fur-

Premier re-elected

Dominican Prime Minister Eugenia Charles was elected for a second five-year term but with a reduced

Recovery hopes fade

Hopes of recovering the flight re-corder of the Air India Jumbo jet that crashed into the Atlantic off dence during the afternoon and

Lusaka bomb denial

tional Congress building in Lusaka, but the South African Defence

Lead-free launch

French petrol companies began selling lead-free petrol at over 100 garages as the first step in a pro-gramme to reduce air pollution adopted by EEC environment min-

Comet rendezvous

An Ariane rocket carrying Europe's Giotto spacecraft has been launched from French Guyana to rendezvous with Halley's Comet

next March. Page 8

Biko evidence A South African security policeman in charge of interrogating black leader Steve Biko, who died in cus-

tody, said he would have handled the investigation differently if doctors facing a medical inquiry had told him Biko was seriously ill. Mitterrand slip A quarter of the French voters who

backed socialist François Mitter-rand in the 1981 presidential election have changed their minds, ac-

Prison hostages Rioting prisoners in the Tenness state prison in Nashville took 12 guards hostage during a protest

cording to a survey by the indepen-dent Sofres organisation.

over wearing striped uniforms.

Chinese executions Chine has executed two oilfield workers charged with forming an

anti-government group and killing

security officials.

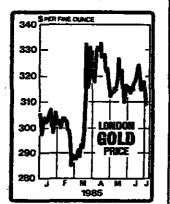
Upturn in

No. 29,665

AMERICAN defence spending and AMERICAN defence spending and declining interest rates overcame the flood of manufactured imports last month to produce a modest turnround in new factory orders and single-family home shares, according to the U.S. Commerce Department. Page 6

WALL STREET. The Dow Jones in dustrial average closed down 3.13 at 1,334.01. Page 34

GOLD: In New York the August Co-mex settlement was \$311.40. Gold fell by \$4.25 on the London bullion market to \$309.00 and by \$5.35 in Zurich to \$308.65. Page 26



DOLLAR was generally firmer in London, rising to DM 3.045 (DM 3.041), FFr 9.27 (FFr 9.2625) and ther two days after only 500,000 of the 2.9m voters were able to cast their votes on the first day because of long queues.

3.041), FFT 8.24 (FFT 8.240, FFT 8.240, F 143.9. Page 27

> STERLING was little changed in London, losing 10 points against the dollar to \$1.3045. It also fell to SwFr 3.2225 (SwFr 3.3225) but was un-changed at DM 3.9725 and rose to FFr 12.085 (FFr 12.075) and Y324.0 (Y323.5). The pound's exchange rate index fell 0.3 to 80.9. Page 27

Ireland faded with the failure of re-clipped prices back from their highs covery ships to pick up its homing for the day. The FT Ordinary index closed up 1.8 at 954.3. Gilts improved. Page 34

TOKYO shares drifted lower des-Zambia blamed South Africa for the bomb that damaged the African Navestors. The Nikkei-Dow market average came back from an early

DEVELOPING countries exporting \$16bn a year of textiles and clothing to the U.S. are lobbying in Washington against the protectionist textile Bill before Congress. Page 5

SWEDEN topped the list of borrow-ers in the Eurobond market in the first half of 1985, raising \$3.24bn through 15 issues ousting the World Bank with \$3.18bn. Page 14

MORE new issues flooded the Euro dollar bond market with the EEC topping the list with a \$350m, five-year deal. Page 15

UK INSURANCE companies recorded first trading loss in decades on worldwide general business.

FIAT. Italian motor vehicle group, forecast 8 per cent rise in group sales to L25,700bn (\$13.2bn) this year. Chairman Giovanni Agnelli cited need for a Europe-wide jointventure agreement, such as that being sought in talks between Fiat

and Ford Europe. Page 15 UPI, troubled U.S. newsagency, has received a conditional takeover offer of more than \$14m from an un-

stifled investor group. FUJITSU and Hitachi, Japan's two major computer makers, are to par-ticipate in a value-added network telecommunications joint venture with AT&T. Page 17

Yesterday's edition of the Financial Times was the first to have been printed in the U.S., as well as London and Frankfurt. The new printing centre in Bellmawr, New Jersey, is intended to improve distri-bation and increase circulation in North America.

Gorbachev reinforces his authority by promoting Shevardnadze Gromyko leaves

foreign ministry for presidency

BY PATRICK COCKBURN IN MOSCOW

MR ANDREI GROMYKO was elected President of the Soviet Union yesterday and was replaced after 28 years as Foreign Minister by Mr Eduard Shevardnadze, the leader of the Communist Party of the southern Soviet Republic of

Mr Gromyko's departure from the foreign ministry reinforces the authority of Mr Mikhail Gor ba-chev, the Soviet leader, who is to meet President Reagan for a summit in Geneva from November 19 to

The presidency of the Soviet Union is of largely symbolic author-ity, but Mr Gromyko who is 75, re-mains a member of the ruling Politburo and will continue to have an

influence on foreign policy.
His successor as Foreign Minister, Mr Shevardnadze, 57, has been leader of the Georgian Communist Party since 1972. He has limited experience of foreign affairs but was elected to the Politburo on Monday, a rank which will give him authoriy in his new job. Mr Shevardnadze is regarded as

an energetic and outgoing man

Mr Eduard Shevardnadze

whose career has followed a similar course to that of Mr Gorbachev. They have known each other for many years and Mr Gorbachev's home area of Stavropol is close to

In his speech nominating Mr Gromyko for the presidency, Mr

Gorbachev, whom many diplomats had expected to take the job him-self, said that the role of General Secretary of the party needed to be separate from the head of state in cessors combined the two positions.

It is not clear what authority Mr Gromyko will have as President though the nominal powers of his position will be increased by his personal prestige and popularity within the Soviet Union as the man who conducted foreign policy for

Politburo in 1973 – 16 years after he became Foreign Minister. He had extensive authority over

He had extensive authority over that the amount of progress likely to be made at the meeting would depend largely on the climate between Washington and Moscow established in the continued on Page 14 Continued on Page 14

Gorbachev charts course; Consummate negotiator leaves, Page 2; Editorial comment, Page 12

Moscow and Washington set summit date

BY REGINALD DALE, U.S. EDITOR, IN WASHINGTON

THE long-awaited summit meeting between President Ronald Reagan and Mr Mikhail Gorbachev, the Soviet leader, will take place in Geneva on November 19-21, U.S. officials said yesterday. The meeting will be the first U.S.-Soviet summit for Mr Reagan, who has had to deal present circumstances. Since 1977, with four Kremlin leaders since all three of Mr Gorbachev's predetaking office in 1981. taking office in 1981.

Disclosure of the planned meet-ing comes at a time when senior U.S. officials are still describing U.S.-Soviet relations as "glacial" and without any sign of a breakthrough in the Geneva arms talks the main point of contact between the two superpowers.

over a quarter of a century.

Starting his career as a professional diplomat, suddenly promoted to be Ambassador to Washington at the last war. Mr Gromy
of the last war, Mr Gromy-Washington has suggested in the past. Experts in Washington said

> tablished in the next four months. Mr Reagan, the first U.S. President in half a century never to have met his Soviet counterpart, official-

immediately after Mr Gorbachev took over as Soviet leader in March. The White House made no secret of Mr Reagan's preference for a Washington meeting, particularly as the last two summits not held on neutral ground had taken place in the Soviet Union.

U.S. officials said that the date and place for the meeting were finalised on Monday at a meeting in Washington between Mr George Shultz, the U.S. Secretary of State, and Mr Anatoly Dobrynin, the Soviet ambassador. The agreement would be formally announced in the near future, they said.

Washington had no immediate official comment on the elevation of Mr Gromyko to the Soviet Presidency. The move, however, was seen as strengthening Mr Gorbachev's overall position in the Soviet hierarchy, as well as his grip on foreign

Mr Gromyko, however, was expected by some U.S. officials to retain considerable influence in foreign affairs. They said that as President he would be able to pick the foreign policy issues on which he

#Lebanon attacks U.S. plan to isolate airport

By Nora Boustany in Beirut and David Lennon in Tel Aviv

LEBANESE LEADERS vesterday angrily denounced U.S. plans to isclate Berrut airport, while Israel warned that it would not in future help to bring about the rescue of hostages by the release of "terrorists" in Israeli prisons.

Mr Rashid Karanii, the Lebanese Prime Minister, asked what guilt was borne by Beirut when the incident which provoked the U.S. action involved an American airliner hijacked from a Greek airport. He said that Washington was at-

tempting to punish Lebanon "in spite of the release of the American hostages and in spite of the pledges

The majority of the hestages freed on Sunday after a 17-day ordeal which followed the hijecking of a TWA flight from Athens, were yesterday on their way back to the U.S. The most recent opinion pall in the U.S. has shown overwhelming public support for President Resgan's handling of the crisis, but there has been a cool response to

the plan to shut Beirut airport. General Moshe Levy, the Israeli Chief of Staff, said yesterday that 300 of the 735 mainly Shia prisoners held in Israeli jails would be transferred to Lebanon today or Thurs-day. Their release had been demanded by the hijackers of the TWA airliner and supported by the Lebanese Shia community. It is ex-pected that the remainder will be freed within a week, although the U.S. and Israel continue to insist that no deal was struck with the hijackers. Mr Yitzak Rabin, Israel's Defence

Minister, accused governments of failing to take sufficient measures to protect their citizens. In a radio interview he said the TWA aircraft had been seized to apply pressure on Israel because it was an "easy target," unlike the heavily protected circraft of the Israeli cirline, El Al. "It is evidently difficult for the Shias and other terrorists to seize an Israeli plane and use Israelis as hostages in order to secure some capital gains tax (CGT) because in-stitutions will no longer be able to capital losses on their holdings of an easier target: an American plane, American citizens, who are not deployed against such acts in

> Mr Rabin warned that Israel would not again help to win the re-lease of hostages by freeing prisoners in its jails. But he stressed that the freeing of the Shias had been planned before the hijack took Continued on Page 14

Page 3; Welcome for hostages, Page 6

Bonn set for fight over economic subsidy cuts

BY RUPERT CORNWELL IN BONN

THE WEST German Government a sharp drop in coking coal payyesterday outlined plans for a ments, while in accordance with so far prevented Bonn from pushsteady reduction in federal subsidies over the next four years as aid will be available to the West stake in Lufthansa, the national airproof of its determination to roll back the state's involvement in the economy and create more room for The scheduled cuts in subsidies

were disclosed in documents accompanying the official draft budget for next year, but Herr Gerhard Stoltenberg, the Finance Minister, dmitted that the goals would not be achieved without a tough fight. According to the ministry, subsiies paid by central Government

are likely - contrary to intentions to increase this year to DM 14.5hn (\$4.07bn) from DM 13.5bn in 1984. Thereafter, however, they should fall to DM 13.5bn next year and pro-gressively to DM 11.1bn in 1989. The biggest subsidy cuts stem largely from factors beyond the

German steel industry. Herr Stoltenberg made clear that

various sources to make ends meet measures from his cautious strate

scheme agreed between the compaterm proposition. The minister confirmed that the Government intended to continue

its modest privatisation programme next year. But he gave no figures of what might be raised - nor of which

line, from 79 per cent to 55 per cent. In presenting the budget, which

this rule would also apply to Arbed envisages a rise of just 2.4 per cent Saarstahl, the Saarland steel conin total outlays to DM 284bn, Herr cern which has long been on the brink of bankruptry and which is seeking a further DM 200m from calls for reflationary job-creating gy, aimed above all at reducing the Bonn would only be prepared to state's borrowing requirement. co-operate in a debt-reduction As expected, the only provision

As expected, the only provisions scheme agreed between the company and its bankers. Without such a scheme, Herr Stoltenberg said, Ared at the building industry. These bed was probably not a viable long- include higher depreciation allowances for the sector, a tripling to DM 1bn of federal aid for urban renewal programme, and a DM 4bn increase in soft loans from the Kreditanstalt für Wiederaufhau agency available to smaller compa-nies and local authorities.

Government's direct control. The strength of the dollar has permitted companies were involved. Powerful opposition from Herr Franz Josef

GEC lifts profits 8% to £725m

BY GUY DE JONQUIERES IN LONDON

BRITAIN'S General Electric Com-pany (GEC), the UK's largest non-oil industrial group, yesterday re-ported that its pre-tax profits rose 8 GEC is recommending a final divper cent to £725m (\$943m) in the year to March 31. Turnover in-

creased 6.7 per cent to £5.98bn. The results, which follow sharp falls in the share prices of most leading UK electronics and electrical companies in the past week, were at the lower end of most analysts' forecasts. GEC's share price closed unchanged yesterday at

Pre-tax income from GEC's cash mountain, including revaluation adustments on foreign currency holdings, rose by 25 per cent to £176m. Pre-tax profits from its mainstream industrial businesses grew by 5.4 per cent to £531m. The value of the cash mountain fell during the year from £1.55bn to £1.41bn. The drop largely reflected

the £156m which GEC spent to buy

most of GEC's large defence business, was once again the group's £48m (£52m). single largest source of profits. Pretax profits increased to £235m medical equipment consumer prod-(£197m) on turnover of £1.86bn ucts and distribution and trading

profitable production of older elec-

tromechanical telephone ex-

GEC's small computer subsidiary

GEC is recommending a final dividend of 2.65p a share, bringing the payment for the full year to 4p, up

GEC's small computer subsidiary also incurred a write-off. But there was a sharp improvement in the performance of A.B. Dick, its U.S. from 3.45p last year. Earnings a share were 14.3p, against 14.2p, and 15.2p (15p) after the inclusion of extraordinary items. Problems with high-voltage switchgear reduced pre-tax profits

The electronic systems and comat GECs electrical equipment diviponents division, which includes
sion to £42m (£48m) and profits in Results from power generation

were all better than the previous cations and business systems fell to GEC's exports from the UK rose £81m (£93m) on turnover of £746m by only £25m to £1.23bn although (£735m). Most of the decline was be- export orders received increased to

cause of the ending of the highly £1.16bn (£887m). Lex, Page 14; Details, Page 16

BY CLIVE WOLMAN IN LONDON BRITAIN is to abolish capital gains tax on government securities and corporate bonds from July 2 of next year. The UK Treasury expects the change to result in a "significant increase in the long-term yield" from years, they have been able to cut

UK to axe capital

gains tax on gilts

use capital losses on short-term gilts. holdings of government securities

The announcement by Mr Nigel Lawson, Chancellor of the Exchequer, created confusion in the gilts market yesterday afternoon. Leadpended trading for 30 minutes.

The prices of index-linked gilts

rose by ½ to ¾ of a point, but the other capital gains, particularly on highe recupon stocks, after being marked up slightly, fell back again to their original prices.

The technique exploited the ex-(gilts) to offset gains on other in-vestments. emption from CGT (imposed at a rate of 30 per cent) which has been stitutions are." he said. granted since 1969 to gilts held for more than a year. Insurance companies would systematically sell all those gilts the prices of which had ing jobbers (market-makers) sus- fallen after no more than 364 days to create a capital loss.

This would then be offset against Continued on Page 14 Lex. Page 14

Despair over threat to airport, IN TRANS MORE TIME ON

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Editorial comment: Soviet Management: Europe's way Union: City of London.... 12 in labour market 19 Tyre industry: rare interview Hong Kong:

charts his course 2 back towards Moscow 13 Lebanon: despair as airport Lex: GEC; capital gains tax; link is threatened 3 insurance; 3i 14 Peru: positive view of the Hoechst: showing savoir informal economy 6 faire in France 18

with the Michelin Man ... 12 Survey Section III

Patrick Cockburn in Moscow and David Buchan in London examine the end of the Gromyko era in Soviet foreign affairs

Gorbachev and his men chart their foreign course

"THEY ARE all Gorbachev's men now," said a diplomat in the gallery of the Supreme Soviet as he heard the announcement of Mr Andrei Gromyko's elevation to the Presidency and his replacement after 28 years as Foreign Miniafter 28 years as Foreign Mini-ster by Mr Eduard Shevard-nadze, the Communist Party leader in Georgia.

Mr Gromyko, 76 next month, retains some authority and much prestige but he has lost the unique power, dating from the early 1970s, to formulate and execute much of Soviet foreign policy by himself. The Foreign Ministry will no longer be a semi-independent fieldom.

This would happen even if Mr This would happen even if Mr Shevardnadze had more experience in foreign affairs. The independent authority of Mr Gromyko and Marshal Dmitri Ustinov. the Defence Minister who died last year, was rooted in early promotion by Stalin. consolidated during the war and much increased as President Brezhnev's health began to fail after 1975.

In the new climate in Moscow.

In the new climate in Moscow, Mr Gromyko's role as a one-man institution was not sustainable. This makes somewhat irrelevant the question, posed by many diplomats yesterday, about whether the Soviet Union's Foreign Minister since 1957 had been kicked upstairs or will retain substantial powers over Soviet foreign relations.

From the moment Mr Gorbachev became general secretary of the Communist Party last March, he has played a leading role in foreign policy. Immediately after President Chernenko's funeral, he began a long series of meetings with foreign leaders, and Mr Gromyko's authority was already diminishing.

Mr Shevardnadze is likely to be much more of a traditional foreign minister: the executor. not the formulator, of policy. Mr Gromyko, as President and a member of the ruling 13-member Politburo, remains important but it is unlikely that Mr Shevardnadze will allow the substance of his authority to be pre-empted by his

It is also significant that Mr Shevardnadze is a member of the Politburg, in contrast to Mr Gromyko who only joined the ruling body in 1973, 16 years after he took over the Foreign Ministry.

Eduard Amvrosievich Shevardnadze is 57 years old, he was born in Mamati, Georgia, on January 25 1928. Georgia, on Jaquary 20 1000.

He attended Communist party schools in Georgia and graduated in history in 1959 or 1960 from the Kutaisi Pedagogical Institute. 1948: Became a party mem-

ber. 1953-56: First Secretary, Kutaisi Georgian Komsomol (Communist youth move-

1963-64: First Secretary, Pervomaisky district in Thilisi city Georgian Communist Party. 1966: Full member, Central Committee, Georgian Com-

munist Party. 1972: First Secretary and Full member, Politiburo, Cen-tral Committee, Georgian Communist Party. 1976: Full member, Central

Committee, Communist Party of the Soviet Union. 1978: Candidate member, Polithuro, the Central Com-mittee of the Communist Party of the Soviet Union. Travels abroad: Algeria (1984), Austria (1974), Brazil

(1980), Bulgaria (1974), Czechoslovakia (1981), Hungary (1975, 1981), india (1982), Portugal (1979, 1983), Tunisia (1960). Mr Shevardnadze's career is thought to have advanced thanks to his relative success in establishing "exemplary social order" within the Georgian Socialist Soviet Republic—that is stamping out bribery, black marketeer-

ing, and protectionism.

Does the selection of a new minister signify a change in Soviet foreign policy? The basic tenets are likely to remain the same but there will be some changes in emphasis.

Despite the announcement yesterday of a summit between Mr Gorbachev and President Ronald Reagan to be held in Geneva in November, there is an undercurrent of feeling in Moscow that amicable relations with the U.S. on the lines of detente in the 1970s are unlikely to be restored even after President Reagan ends his term in office. The brief amity between

the super powers is seen as an episode rather than the norm.

The relationship with the U.S. remains at the centre of Soviet foreign policy, and it was on this topic that Mr Gromyko was for so many years the Kremlin's expert. But Mr Gorbachev and expert. But Mr Gorbachev and the men close to him have somewhat changed the emphasis.

Since March, Mr Gorbachev has given priority to consolidating Moscow's relations with its allies. notably in Eastern Europe. Mr Le Duan, leader of Victorian prograd a particularly

Vietnam, received a particularly cordial welcome last weekend when he paid an official visit. Greater emphasis is also being placed on the repair of relations with China, consider-ably warmer in tone (the Chinese have started calling Mr Gorbachev "comrade") in recent months though without any real change in substance. The first Chinese Polithuro member to visit Moscow for many years

on no front does the Kremlin sound as if it felt under pressure. The Soviet leaders are not as nervous of President Reagan as they were during his first three years in office. Despite the escalations of defence budgets and rhetoric, there is little conflict between the super powers or their allies.

There is real fear that
America's Strategic Defence
Initiative might shift the
strategic balance against the
Soviet Union. It might also
lead to an escalation in Soviet defence costs, eating up capital investment that Mr Gorbachev wants for the refurbishment of Soviet industry.

Diplomats in Moscow also

note that Star Wars, since President Reagan announced the project in 1983, has presented the Soviet Union with immediate foreign policy gains. It has divided the West Europeans from the U.S. more than Pershing and Cruise missiles, while the military potential of the scheme remains hypothetical and long term.

So Mr Gorbachev is in a relatively strong diplomatic position n summit with President Reagan.
It is clear that, whatever his declarations to the Supreme Soviet yesterday about the need Party to concentrate on the economy, that the central role in Soviet foreign policy belong to him.

Roosevelt, a man who helped found the United Nations, and who then played a major part in negotiating the Soviet Union's superpower status and arms control accords with the economy, that the central role in Soviet foreign policy belong to him.





Twenty-eight years in Mr Andrei Gromyko's career separate the two pictures above. On the left, he is seen with Mr Nikita Khruschev, then Communist party leader, in 1956, the year hefore he became Foreign Minister. On the right, he is pictured last year with President Ronald Reagan at the White House during a visit to the United States

A consummate negotiator leaves the table

matic landmarks of the opst-war period out of the day-to-day running of Soviet foreign

The Gromyko era in foreign policy, which for a parallel one must probably reach back to Talleyrand in early 19th century France, will not necessarily close this week. Just as he only really secured his hold on Soviet foreign policy-making several years after he became Foreign Minister in 1957, so he is likely to make his enormous foreign affairs experience felt both as President and a senior politburo member—for some time on his diplomatically unversed successor, Mr Eduard Shevardnadze.

Yet, if separated from the job of party general secretary— as it now is once again—the post of President, or "chairman of the presidium of the Supreme Soviet," by itself, need carry only the largely ceremonial duties of meeting and greeting

foreign heads of state.

It is thus a reward for a man who has advised every Soviet leader except Lenin, conferred with every U.S. President since

he said initial American ideas

that Eureka was a "counter" to President Ronald Reagan's Strategic Defence Initiative (SDI) were unfounded.

Stressting that "there is no in-

compatibility between Eureka and SDL" Mr Bush said. after

discussing the two programmes in Paris, that "there are less

differences (between the U.S.

YESTERDAY'S nomination of Helsinki that he was tiring of Mr Andrel Gromyko as president of the Soviet Union moves one of the comst familiar diplor Minister. Yet, during that time in the early 1980s by the intermediate of the control of the contro and even before, his has been the Soviet visage most frequently presented to the world — usually unvielding, sometimes sardonic and almost

always poker-faced. Early on, as Soviet ambassador to the UN in 1946-48, he earned the sobriquet Mr. Nyet for the many Security Council resolutions he vetoed on Mos-cow's behalf. He has also been dubbed "Grim Grom" (grom being the Russian for thunder) for his dour style, alleviated by only the odd wisecrack, often in the good, though heavily accented, English he learned in his 1943-46 stint as ambassador to Washington.

Public jibe

public jibe at the unfortunate Gromyko that if he ordered his The increased pace of Soviet

Court move

in Spanish

'Watergate'

THE \$0-CALLED Spanish

Watergate, concerning alleged police surveillance of the Alianza Popular opposition party, could seriously em-

party, could seriously em-barrass the Socialist govern-ment of Sr Felipe Gonzalez following a decision by a minor judge to pass to the Supreme Court all his in-vestigations into the affair.

His action indicates that Judge Jose Maria Vazquez Honrubia has uncovered safficient evidence of possible

summer evidence of possible illegality to merit pursuing the case. More importantly, transfer of the case to the Supreme Court paves the way for possible subpoenas of senior officials, members of Parliament and government ministers.

Under Spanish criminal law, only the Supreme Court

has powers to serve writs on officials holding director general rank on MPs and on cabinet members.

The development, gleefully

greeted by the opposition, comes at a particularly awk-ward moment for Sr Gonzalez

who is due to announce government changes later this

ministers.

diplomacy in the 1970s, with the
Salt arms negotiations and
detente with the West, followed
in the early 1980s by the international rows over the Soviet
invasion of Afghanistan and the
condoning, and perhaps
encouragement, of martial law
in Poland, the collapse of
approach as patiently accudetents and the Reagan Admini. detente and the Reagan Admini-stration's more confrontational policies, pushed Mr Gromyko ence" and a reliance "on the ever further into the limelight. restlessness of his opposite

The ill health of successive leaders, Brezhnev, Andropov, Chernenko, also accentuated their dependence on their veteran Foreign Minister, to the extent that by 1983-84 some Western analysts wondered whether Mr Gromyko was not really running Soviet foreign policy solo.

Whether Mr Gromyko was hard or soft, inclined towards

Mr Nikita Khrushchev, the first Curiously, for a Foreign party general secretary he Minister of such lengthy served as Foreign Minister, tenure, Mr Gromyko never treated him as such, making the visited Latin America or sub-Saharan Africa. His closest subordinates at the ministry were foreign minister to take down his trousers and sit on a block of ice. he would do so and sit there for a month. But by 1978, the U.S. in recent years were that his angry denunciations of the diplomatic that his angry denunciations of the U.S. in recent years were week is that he never developed the diplomatic service from 1939 until this the U.S. in recent years were week is that he never developed the diplomatic service from 1939 until this that he never developed the diplomatic service from 1939 until this that he never developed the diplomatic service from 1939 until this that he never developed the diplomatic service from 1939 until this that he never developed the diplomatic service from 1939 until this that he never developed the diplomatic service from 1939 until this that he never developed the diplomatic service from 1939 until this that he never developed the diplomatic service from 1939 until this that he never developed the diplomatic service from 1939 until this that he never developed the never developed the diplomatic service from 1939 until this that he never developed the when Mr Gromyko entered the in part bitterness at President politburo, the policy-making Reagan destroying, in his eyes, inner circle of Soviet power, what he had believed to be his main achievement — detente between the superpowers.

Mr Jozef Marjai, Deputy Prime Minister responsible for

the economy, told trade union officials recently that a decline

in industrial production in the first five months of this year was

largely the result of shortfalls

in April and May.
Until recently, last winter's harsh weather was given as the cause for the drop in output.

A leading Hungarian political

weekly, Magyarorszag, noted that unfavourable weather conditions could no longer be blamed for the fall in production. It was the result, instead,

of "structural difficulties" which hampered recovery and adapta-

ion to market conditions.

Mr Marjai noted that from

January to June, export earn-

ings in hard currency were

Mr Gromyko's translation to approach as "patiently accu-mulated marginal gains until they amount to a major difference" and a reliance "on the number to extract otherwise inachievable advantages." In hinachievable advantages." In this way was Mr Gromyko able to exploit the short-run political pressures that afflict Western leaders much more than Soviet.

Steady rise

This patience, coupled with confrontation or conciliation, on the self-effacement that led him relations with the U.S. and the once to tell a Westerner in relations with the U.S. and the once to tell a Westerner in West was never really clear in search of personal anecdotes: My personality does nterest me," served For his first 16 years as Foreign Minister, it is probable that Mr Gromyko was more executor than formulator of Soviet foreign policy. Certainly, policy concern.

The Winter Physical Research of the Soviet collective form of "My personality does not interest me," served Mr Gromyko well in his rise in the Soviet foreign policy. Certainly, policy concern.

Soviet foreign policy. Certainly, policy concern.

Converted to first 16 years as the Soviet collective form of "My personality does not interest me," served Mr Gromyko well in his rise in the Soviet hierarchy. This rise was steady, part from a brief demotion in 1952-3 from deputy the Soviet collective form of "My personality does not government. But certainly he interest me," served Mr regarded East-West relations as Gromyko well in his rise in the Soviet hierarchy. This rise was steady, part from a brief demotion in 1952-3 from deputy foreign minister to be ambassador to London in 1952-3 (after, it is said, he had been reprimanded for building a dacha at government expense).

But the remarkable aspect of a political base among key Soviet institutions—the party, the military, the KGB or heavy industry. Instead, he became an

by the end of this year," he said, adding that it was an "im-

Hungary had planned for a \$700m (£538m) trade surplus this year after \$600m in 1984.

agriculture expanded, it could not make up "what is missing in industry." Although agricul-ture was currently meeting the

fallen below that of five years

Mr Marjai said that even if

possible situation."

grows over economy

Greece to verify Albanian frontier

ATHENS - a military delegation from Albania opened talks in Athens yesterday with Greek officials on verifying the border between the two countries to prevent frontier incidents, a government spokesman

The spokesman, Mr Dimitri Maroudas, said the middle-ranking Al-banian officers would discuss how to replace 40-year-old anti-tank obstacles that serve as border markers along the mountainous 100-mile frontier.

"Re-marking the border will greatly assist in preventing frontier incidents," said Mr Maroudas. Last November a Greek number was shot dead by an Albanian border patrol after straying across the

frontier by mistake.

Although the border is beavily guarded on the Albanian side, about a dozen fugitives from the self-isolated Stalinist state cross in-

to Greece every year.

A foreign office official said talks on defining the continental shelf be-tween Albania and the Greek island of Corfu were planned.

"All these talks come within the framework of normalising relations with Albania." he said. Greece's Socialist Government has worked hard to boost improve

conditions for the isolated ethnic Greek minority of over 250,000. The military delegation's arrival marked the first official Albanian visit to Greece since Mr Ramiz Alia took over as leader last April after the death of Mr Enver Hoxha.

Exports boost growth in chemicals

By John Davies in Frankfurt THE WEST GERMAN chemical industry has shown further study growth, boosted especially

by export demand.

The sector, which employs
552,000 people, has, been among
the main contributors to the country's moderate economic growth over the past two and half years.

Although production has already reached a high level. output inthe first half of this year was 3 per cent increas above the level of the same period last year. Since its set-back in 1982, the industry has made a rapid recovery with a 7.3 per cent increase in output in 1983 and 5.2 per cent last

Hungary's pessimism Professor Heinz-Gerhard Franck, the president of the Chemical Industry Association, said yesterday that demand within West Germany was slack earlier this year but had picked up since April because HUNGARY'S COMMUNIST "significantly smaller" while leaders are voicing increasingly pessimistic views on the performance of the economy and the prospects for it. "significantly smaller" while imports were considerably higher than planned. "This promises a much smaller foreign trade surplus smaller foreign trade surplus and at this year." he of a slight rise in consumer spending and an increasing tendency for businesses to invest. Sales revenue in the first half was 7 per cent ahead of the same period last year. Export revenue was up as much as 10 per cent and domestic sales were up 4 per cent.

Prof Franck said that West German chemical companies would step up their investment

by 9 per cent this year to about DM 7.6bn (£1.9bn). A greater percentage than in previous years would be spent on building articles. ing extra capacity Business has been good for plastics and synthetic fibres, he said, but sales of agri-chemicals were hit by the hard winter

plan targets, there were "un-favourable phenomena" such as worsening export prices
Mr Tibor Vamos, a Hungarian technology specialist said the shortage of hard currency since and products for use in the ail-ing building industry were not doing so well. 1978 and the Western embargo on certain high-technology exports meant the technical level of Hungarian industry had

Pact with Austria on jail terms breaks new ground

BY OUR BERLIN CORRESPONDENT.

HUNGARY HAS concluded an The agreement was a result agreement with Austria under of the enormous increase in which citizens of either country convicted of a crime in the countries. International legal other will be permitted to serve aid and extradition agreements,

said it was especially significant that Austria accepted "without reservation" the criminal procedures and sentences of Hun-

their sentences in their native country. It is the first such accord between a Warsaw Pact member and a non-Communist country, but does not cover political prisoners.

and and extraunton agreements, he said, were increasingly being supplemented by accords on mutual execution of sentences.

Dr Ban said there were considerable differences in the way political prisoners. country, but does not cover political prisoners.

Dr Tamas Ban, head of the international law department of the Hungarian Justice Ministry, said it was especially significant that Austria accepted "without the countries had similar that Austria accepted "without the countries had similar that Austria accepted "without the countries had seven their citizens in the way Hungary and Austria viewed foreign exchange, tax and customs offences. This problem was surmounted, however, as both countries had similar that Austria accepted "without to execute the sentences passed on the way Hungary and Austria viewed foreign exchange. This problem was surmounted, however, as both countries had similar that austria viewed foreign exchange. This problem was surmounted, however, as both countries had similar that austria viewed foreign exchange. This problem was surmounted, however, as both countries had similar that austria viewed foreign exchange. This problem was surmounted, however, as both countries had similar that austria viewed foreign exchange. This problem was surmounted, however, as both countries had similar that austria accepted "without the countries had a similar that a simil on their citizens in the other country if their own criminal code had similar offences.

Europe space link-up to boost satellite business BY PAUL CHEESERIGHT IN BRUSSELS

THE EUROPEAN Space Agency stations.

THE EUROPEAN Space Agency and the European commissions are seeking to boost the communications satelline business by offering a service for the high-speed digital transmission of long data messages.

Called Apollo, the new service is designed to provide facilities for a few senders, such as the Official Journal of the EEC the British Library Lend-

F.E.C. the British Library Lending Division and the German Patent Office, to transmit docu-

stations.

Technology is being provided by the European Space Agency and co-ordination by the European Commission. Their combined investment is Ecu 5.4m (£3m) over two years. The satellite to be used is Eutelsat-1, which was placed in orbit last August.

August.

The aim is to complement existing narrowband fund networks. The Commission is expected to withdraw once the service is established.

Aer Lingus 'beats strike'

By Our Dublin Correspondent

AER LINGUS, the Irish state airline, said yesterday that it had succeeded in carrying 75 per cent of its normal passenger load using leased in aircraft to circumvent an all-out strike by its 250 pilots.

The pilots are seeking a fresh wages deal but the company cannot begin talks because the Government has yet to set guidelines for the negotiations.

The airline has leased 14 aircraft and crews from six countries to maintain its schedules in the face of the pilot's four-day action, at a cost of I£4m (\$4.1m).

Aer Lingus returned a profit last year of Itsmeaster three years in the red. Profit figures for 1985 are likely to be badly hit by the dispute

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Bush backs air boycott of Lebanon

By Our Paris Staff

MR GEORGE BUSH, the U.S. Vice-President, yesterday de-fended Washington's efforts to organise an international boycott of Lebanon by air traffic. He did not think the step would endanger the U.S. and French nationals still being held hostage in Beirut, he

Speaking at a news conference in Paris after meeting President François Mitterrand and senior French ministers. Mr Bush justified the U.S. Administration's move to end flights between New York and Beirut primarily on the grounds of ensuring passenger safety.

"We don't want Americans to fly in to airports which are less than secure—where travel-lers are offered less than the fullest protection against hijacking," he said.

The spectacle of the TWA aircraft being hijacked at one gate of the Lebanese airport while "commercial traffic was going in through the next door"
was "not the way a civil airport should be run," he

Mr Bush stressed that the subject of an international boycott of Beirut had not been raised in talks with French ministers. He dld discuss "international collaboration" in efforts to fight terrorism, without elaborating on any specific proposals.

Mr Bush, who emphasised the "warmth" of his talks in Paris, is however, not likely to see the U.S. action followed up by similar steps from Paris, Air France, in common with other Western airlines has for the moment suspended flights

But the French Government —which owns 28 per cent of the shares in Middle East Airthe shares in Middle East Air-lines—seemed little inclined to block MEA's landing rights in Paris, with officials stressing rather the more general efforts France was making to combat air hijacking.

French public opinion re-

mains pre-occupied with the fate of four French citizens captured in Beirut in March and

Mr Bush said again yesterday that no "deal" had been struck with the kidnappers over the exchange of hostages against Shi'ites held by Israel. Nonetheless, in France it is widely believed that the French hostages will not be released until the Shi'ile prisoners have crossed back into Lebanon.

Beirut despairs, Page 3

and the second of the second of the second of

EEC ministers to discuss five lines of research under Eureka

BY DAVID MARSH IN PARIS

FRANCS HAS come up with a nology projects which European later this month to put flesh on the bones of the Eureka research programme.

Outlined in a document produced by the government-sponsored technology centre Cesta, and titled somewhat grandiously "The Technological Renaissance of Europe," the projects group together proposals for joint efforts in the information technology, robotics, communication, bio-technology and new materials

Research Ministry officials emphasise that the ministerial meeting, provisionally set for July 17, to which technology ministers and perhaps also foreign ministers have been invited, would aim to come up with ideas for co-operation on a "pragmatic" basis.

tions may be built up over what the meeting can achieve.

BY CHRISTOPHER BOBINSKI IN WARSAW

hour strike in protest against a ban said.

10-15 per cent increase which came He denied Solidarity reports of



a high level meeting is necesto clear projects—in which "pragmatic" basis.

The French idea to launch a have already shown interest—

cern with the British Govern-programme was also endorsed ment that exaggerated expecta-yesterday by Mr George Bush. the U.S. Vice-President, Speaking in Paris after talks with

Mr Bush: "Eureka and SDI not incompatible" The main areas of research,

full-scale ministerial session and to map out a timetable for rather than a gathering of work.

experts has raised some con
The French-inspired Eureka

and France over SDI) than might have been felt immediately after the Bonn summit." French officials say specific funding of Eureka projects is unlikely to be decided at the July 17 meeting. Finance, from a mixture of government. com-pany and banking sources, would be set on a case-by-case

together with possible industrial partners from the 16 European countries who have been invited to the Paris meeting, have been set down by Cesta under the prosaic titles of the Euroma-tique, Eurobot, Eurocom, and Euromat programmes.

As a further sign of British interest in French co-operation, officials from the two countries are to meet in London next week to pursue bilateral talks in areas French officials, however, say President Francoic Mitterrand, like electronics and computers.

Judge Vazquez Honrubia
has been taking evidence from
Deputy Prime Minister
Alfonso Guerra, Sr Jose
Barrionnevo, the Interior
Minister, Sr Rafael del Rio,
the chief of police, among
others, following allegations
by Alianza Popular of police
spies ar its marty head. Polish stoppages report denied THE POLISH Government said for factory outside Warsaw; the protests at the Dolmel works in yesterday that industry worked Lenin shippard in Gdansk and at an Wroclaw and the Piklor television spies at its party headyesterday that industry worked Lemi Shipyaru in Guaiss and at an originally on Monday and emphatiagricultural equipment plant in tube factory outside Warsaw. Union cally denied reports by the banned Solidarity union of isolated stoppages in protest at meat price rises. Solidarity had called for a one-stoppage others to strike, Mr Ursan said that stink bombs had merely than said.

been set off in a number of places. into force on July 1.

Mr Jerzy Urban, the government Lenin shipyard and stoppages in spokesman, did, however, admit five departments at the Ursus that attempts to initiate strike action had occurred at the Ursus tractor factory.

There had also been reports of awaiting trial.

Diplomats implicated in 'plot' ROME - Turkish gunman Mehmet Ali Agca implicated Soviet and Bulgarian diplomats yesterday in an alleged plot to kill the Pope, but admitted under questioning that some of his evidence was contradictory. During one outburst in court, Agca asserted he was both a criminal and Jesus Christ, and asked why no Christian had committed suicide af-

Christian had committed suicide af- kir Celenk

the sixth week of a Rome assize countries, but it was Bulgarian

Christian had committed suicide after the attempted assessination of the Pope in 1981.

Agea said the three men had disturbed has a seven people committed suicide attack military targets in Western in Mexico."

og skriger skrigerede kommen som er med som med skriger med former på for til fill færiger med kommen med skriger skriger.

The kernel of the allegations is that Sr Guerra, who is also the Socialist party's chief electoral tactician. masterminded a complex sur-veillance of the Conservative opposition, which included telephone tapping, in order to obtain confidential party documents. The judge said in a statement that the matter

was one of "extraordinary delicacy." In a heated parliamentary debate at the end of May Sr Barrionnevo swore repeatedly on his honour that he personally had not authorised any illegal activities. Alianza Popular lawyers subsequently initiated a civil action before

Spanish oil agency Spain unveils a new oil marketing agency today to comply with European Community anti-monopoly rules but multinational oil groups claim it is still a monopoly system, reports Reuter.

Israel hit by general strike called against austerity measures

BY DAVID LENNON IN TEL AVIV

A GENERAL strike paralysed acute measures because there the Israeli economy yesterday was no time left." If the new in protest against the new austerity programme had not economic austerity programme been imposed, Israel would which Mr Shimon Peres, the Prime Minister, said was essential "to prevent an actual collapse" of the economy.

The new measures adopted by the Cabinet on Monday.

The Decompose austerity programme had not been imposed, Israel would have run out of foreign currency and "we would have had to move to a regime of rationing because we wouldn't have money for food or spare parts."

by the Cabinet on Monday include budget cuts, a devaluation, massive price increases, and a compulsory three-month wage and price freeze. The unions complained that the main burden of the economic recovery programme falls on the shoulders of wage earners.

The powerful Histadrut trades union federation warned that

union federation warned that, though the general strike would end at 6 am today, selective strike action would continue during the week to press demand that the Government negotiate with the unions, rather than impose a wage through emergency

regulations.

A Histadrut spokesman said of whom voted against. yesterday that, if the Government tried to implement the cism was Mr David Levy, a deputy premier and Housing proposed wage cuts, the unions would "take individual action Minister. He described the government action as "irreponwould "take marvious as they see fit," a clear warning government action as integrated that more strikes can be sible " and the programme as "unjust." Mr Levy added: "I do "unjust." Mr Levy added: "I do

Mr Peres expressed sympathy not think that it will reduce for the position of the unions, but said that "we had to adopt inflation: I think we are entering an inflationary spiral."

ANC blames S. African agents for Lusaka raid

THE African National Congress (ANC), the leading exited nationalist group opposing white rule in South Africa, has said South African agents were responsible for a bomb blast late Monday night which damaged the organisa-tion's headquarters in Lusaka. There were no casualties.

The raid took place against a hackground of South African military incursions into black-ruled states in the region, including an attack on alleged ANC bases in the Botswana capital Gaborone three weeks ago in which 16 people died, and a weekend raid into southern Angola in which South Africa said it which South Africa said it killed guerrillas of the Namiblan guerrilla movement

after the ANC ended what it called a "council of war" conference in the Zambian which the organisation hinted at a possible increase in civilian casualties in its war against South Africa, noting that it would no longer he possible to avoid "soft targets" such as civilians in

the fighting.

An ANC statement said the blast destroyed a steel gate outside the ANC's administrative offices in central Lusaka and shattered a number of windows. ANC guards on the premises fired on the

attackers as they fled after placing the bombs, The raid was being inter-preted in Lusaka as a warn-ing to the Zambian Govern--which has maintained its firm support of the ANC at a time when South African pressure has forced other black-ruled states to expel ANC members—that Lusaka could be the next target of a

Bolswana-type raid.

AP adds: A South African military spokesman, declining to be named, denied any South African involvement in

Contrary to a report in yesterday's Financial Times, Urenco, the company con-trolled by the British, Dutch and West German govern-ments, does not enrich uranium for military purposes. Nora Boustany examines reaction in Lebanon to possible sanctions by Washington

Beirut despairs as airport link is threatened

Ronald Reagan to put Beirut 'Where is Beirut air-international airport out of action has filled the Lebanese with despair and prompted official

The shadowy underground Islamic Jihad organisation has threatened Washington with "nightmare attacks" if it re-taliates over the TWA hijacking, and Mr Rashid Karami. Lebanon's Prime Minister, said he was considering ways of countering the measures countering the measures ordered by President Reagan.

"Where is Beirut airport to blame in the hijacking of a TWA plane from an airport in Greece?" the Prime Minister asked. Referring to U.S. pledges not to take reprisals, he questioned Washington's reversal.

delayed last Saturday, the U.S. declared support for "Lebanon. lomatic action to isolate the airport. Lebanon's only inter-

Middle East Airlines, Lebanon's flag passenger airline, and yesterday reported to be con-

port to blame in the hijacking of a TWA plane from an airport in Greece, asks Mr Rashid Karami (right), Prime Minister of Lebanon who, with other Lebanese officials, has

reacted angrily to President Reagan's airport embargo

On Monday, however. Washington ordered legal and diplomatic action to isolate the airport. Lebanon's only inter-

national airport. have been severely affected by
The move includes a ban on recurrent fighting and the infiltration of militia groups into its compound. However,

Beirut airport used to be the sidering similar measures.

MEA and TMS, which together

busiest in the Middle East, with
daily connecting flights to the

When the release of 29 American passengers and crew was have suffered tremendously in America. The hazards of landdelayed last Saturday, the U.S. the past 10 years and run up ing and taking off from its strip declared support for "Lebanon, its Government, its stability and security," a statement which was perceived as a guarantee against retribution.

On Menday, bounder, Wash, and trew was not stated in the manufacture of the manufacture of the past 10 years and run up ing and taking off from its strip framed by the Mediterranean on one side and a range of Druze-controlled hills from the southeast have led to the against retribution.

templated sanctions against Beirut airport; they noted that other airports have similar security problems. One senior Trans Mediterranean Airways, plans for improvement and U.S. State Department official Lebanon's cargo carrier, from refurbishing have continued said on Monday that some 15 flights to the U.S. Britain was intermittently. jackings began, passed through or ended at Beirut airport.

Mr Khaled Saab, deputy

The Lebanese Government initially tried to prevent the commandeered TWA airliner seized by Hezbollah Shi'ite activists on a flight between Athens and Rome from landing in Beiruit, but relented when it sensed the lives of the pas-sengers and crew were in jeopardy.

International law prevents anyone from closing airports to stop a plane landing, especially when you know there is no fuel on board and the passengers are in danger."

Former President Camille Chamoun, a Maronite Christian, said there had been killing, kid-nappings and injuries of Americans in Latin America, Spain and West Germany, yet Washington did not take action against those states.

Shi te Amal movement's pointburo, said America wanted to punish a whole people and country for the actions of one "small" group," Mr Nabih Berri, leader of the Amal militia, took over negotiations on behalf of the hi-tackers early on in the June 14 hijacking to seek the release of some 700 Lebanese prisoners from an Israeli prison.

spent many sleepless nights organisation which has claimed reasoning with hijackers hold-credit for a series of murderous ing passengers hostage, com- attacks on Western and Ameripassengers instage, com-plained that similar incidents occur elsewhere. "More than 300 people died after the Air India bomb, and there were the bombs at Tokyo and Madrid." (the U.S. Administration) whereever they may be.

Christian and Moslem leaders alike have protested at President Reagan's planned moves. Mr Suleiman Franzich, also a former Lebanese President, accused the U.S. President of being the first to encourage terrorism because after the Israeli invasion he gave the Israeli Government \$755m (£580m),

Despite the dismay expressed by a variety of Lebanese officials and popular apprehen-sion about a shutdown of the autport, no one here demes that become intolerable.

Col Yassin Sweid security chief at Boirut airport, retuses to go to his office there in protest at the lawlessness and uncontrolled interference of Mr Akef Haidar, chief of the Drure and Shi'ite militin

groups. Various trips to the control tower showed rusty equipment and the effects of metherent maintenance. The question is whether the American sanc-tions would punish those who deserve to be punished, or just contribute to Lebanon's down-

Peking waives some oil royalties in second round

BY MAURICE SAMUELSON

continued overseas investment offshore search since 1980, few in her offshore oil industry by waiving royalties on small fields developed in a second round of international bidding. There will be no royalties on

normally collects a 12.5 per the South Yellow Sea. The cent royalty of annual pro-duction. But terms for second- from 10 countries, grouped in round contracts have been nine consortia.

relaxed because of the lack of They include major finds in the first round companies—British Petroleum, launched in 1982.

Shell Exploration, Cluff Oil and nunched in 1982. Shell Exploration, Cluff Oil and Despite \$1bn (£770m) of Tricentrol.

CHINA is trying to encourage overseas investment in the commercial discoveries have been made. Atlantic Richfield has made a significant natural gas find while oil has been

this year, inflation is now back

to 20 per cent a month and

that the new measures will

normal level " is not shared by

The most strident in his criti-

bring inflation down to a

However, Mr Peres's belief

There will be no royalties on wells producing less than 1m tonnes a year. Chen Bingqian, of the China National Offshore Oil Corporation, announced in Peking.

The Chinese Government Pearl River Mouth Basin and a Japanese concern. Chen was speaking following the closure of Monday's deadline for bids to explore second-round blocks in the Pearl River Mouth Basin and the South Yellow Sea. The bidders comprise 23 companies, from 10 countries grouned in

They include four British

Pretoria study assails apartheid

APARTHEID is the root cause of racial friction, a study by shifts towards fully participation of freedom of association, which are official South African tive democracy is another mathematical friction. The Government regularly implementation of state policy

cil (HSRC), says that Apartheid are developing but which are control, which creates opporting a failure; claims that opposed by politically powerful tunties for political suppression; do not "ensure equal gation has eliminated spontaneity in inter-racial relationstaneity in inter-racial relatione ships and has compounded certainly strengthen the argu-suspicions and resentments; ments of those calling for an suspicions and resentments; ments of those calling for an questions the Afrikaner Government's theories on racial deferences; and warns that unless the Apartheid system is substantially demolished the country will continue to move towards violent racial confrontation.

Whether these conclusions ments of those calling for an economic front, the HSRC says demise though it will not silence that all economic restrictions should be abolished and that a professionally rather than politically controlled education system is needed in which ground on which the South segregation and inequality will talls for a sharing of politicity.

sponsors social research studies The four-year study, carried which are frequently designed out by the government-financed to put the imprimatur of scient-Human Sciences Research Countific objectivity on trends which

is equally as severely criticised by the HSRC researchers. Laws.

the report finds, are veiled in secrecy and marred by lack of represent a threat to the state. On the more narrowly defined

National Union of Mineworkers demonstrators

Black miners back after threats of dismissal

BY OUR JOHANNESBURG CORRESPONDENT

ALMOST ALL the 20,000 black (NUM) which is actively reminers who went on strike at cruiting on the nines. As a three South African gold mines result, management has had in protest against wage in difficulty in negotiating with creases on Monday returned to strikers. work yesterday, following threats of dismissal by manage-

Gencor, the mining house following failure to reach agree-which manages the Kinross, ment with the NUM during this Winklehaak and Beatrix mines year's negotiating round. halted by Monday's unofficial stoppages, says it does not know why the men stopped work and announced increases which, the is interviewing some strikers in an effort to determine griev-

others managed by Gencor haak and at the Beatrix mine weekend, do not recognise the police used tear gas to disperse

The NUM says the strikes were in protest at unilateral

been halted by strikes, all NUM says, were below Chamber of Mines averages,

One man died during Mon-The three mines, and two day's work stoppage at Winkle-





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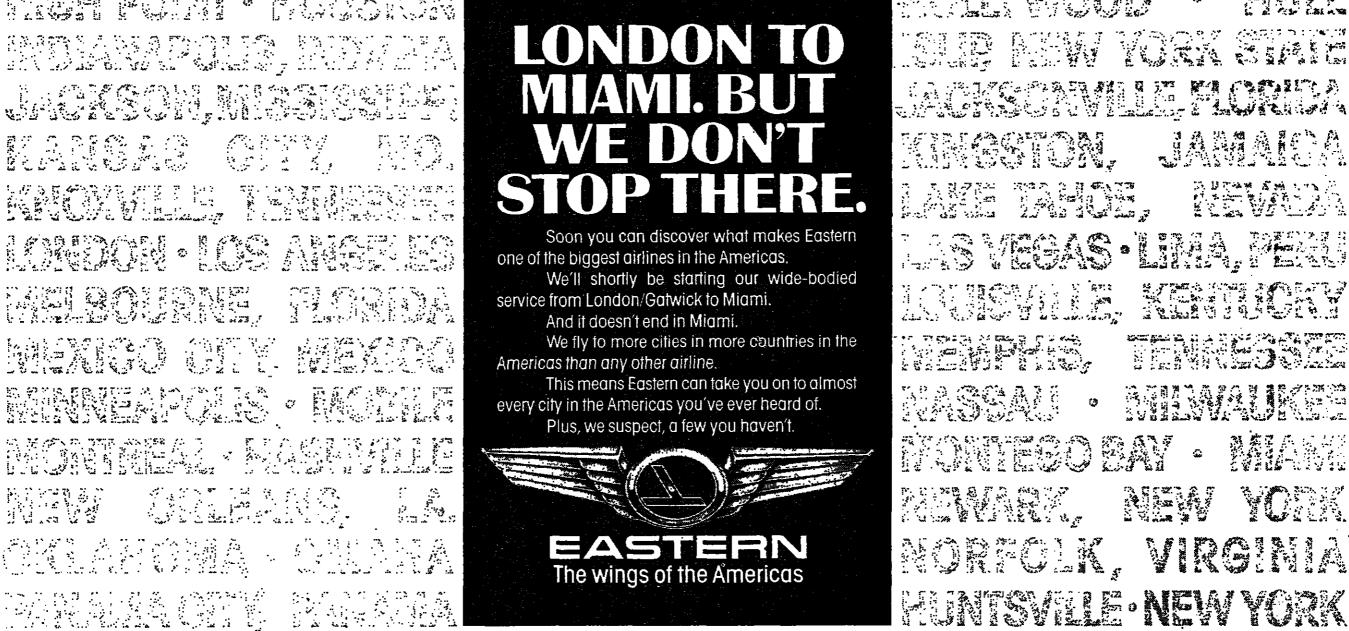
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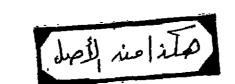
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1987.

Exporters join forces to combat U.S. textile Bill

BY WILLIAM DULLFORCE IN GENEVA

DEVELOPING COUNTRIES exporting some \$16bn (£12.3bn) a and Tariffs (Gatt) and the year of textiles and clothing to multi-fibre arrangement (Mfa), the U.S. have joined forces to lobby in Washington against the protectionist textile bill before congress.

Moreover, by abrogating the most-favoured-nation principle.

nations sent letters to the chairmen of the U.S. Senate finance committee and the House ways and means committee, the State Department and senior trade officials, urging them to "break the momentum of congressional support for the Bill."

In an aide-memoire accom- Japan, which would suffer less panying the letters the export- from the restraints imposed. panying the letters the exporting countries spelt out the inconsistencies and misconceptions about the impact of imports on the U.S. textile and apparel industry which they allege underling the Bill.

The Washington embassies of Jaramillo said.

The Washington embassies of Jaramillo said.

Discriminatory pertrictions

The Washington embassies of the 28 nations will personally contact senators and congress-men before July 15, when new hearings on the Bill are expected to be held, in the hope of generating support for the Resgan Administration's recent

The campaign is being coordinated from Geneva by an inter-governmental organisation called the "programme of cooperation among developing countries, exporters of textiles and clothing."

Talke of the father and claims.

During the same period U.S. imports from the EEC, the European Free Trade Association (EFTA) and Canada increased by 35 per cent, it alleges.

and clothing."

Sr Felipe Jaramillo of Brazil, the chairman of the organisation, said yesterday that if the Textiles and Apparel Trade the U.S. Congress was creating Enforcement Act before Congress came into force, the U.S. data atmosphere and affecting the credibility of the would be in violation of its negotiations to find a new obligations under both the

Last week 28 exporting autons sent letters to the chairnations sent letters to the chairnations of the U.S. Senate finance ommittee and the House ways

The developing countries claim the Bill discriminates in favour of Europe, Canada and Japan, which would suffer less

Discriminatory restrictions

appeal to Congress to defeat ing period 12 months earlier, the Bill. the aide-memoire claims.

Talks of the future of the

The three contracts are expected

when NFC is expected to finalise

\$81m from NFCs own capital and

NFC has been able to remove the

be removed in loan talks with

The complex, whose outputs will

Japanese consortium to build fertiliser complex

BY OUR BANGKOK CORRESPONDENT

THE JAPANESE consortium of of C. Itoh, Davy McKee (London) Chiyoda Chemical Engineering and and Mitsui Engineering and Ship-Construction and Marubeni has building for \$64m. won another main contract for a \$251m fertiliser complex in Thai- to be signed in the next two months

National Fertilizer (NFC), a That the project's loan agreements and company 43 per cent owned by the its plan to restructure the compa-Thai Government, has issued a letter of intent to the group for the About \$190m of the project's fiter of intent to the group for the complex's \$113m infrastructure and nancing will be suppliers' credit, offsite facilities.

The Japanese group was chosen 580m loan from Japan's overseas Spanish group, which was the low-est bidder with an offer of \$111m. Contractors demand that the loans The Japanese bid was selected because the former's technical and financial proposals were superior,
NFC's chairman M.R. Chatr-Monthat the same obstacle would also

gol Sonakul said. The Japanese group and Voest OECF. Alpine of Austria have already se-cured an NFC contract to build an ammonia plant and two urea plants based country's fertiliser demanding is exheduled to begin operation in or \$74m. is scheduled to begin operation in December 1987. It will be located in

ing the construction of a sulphuric the eastern seaboard province of acid plant and a phosphoric plant, went to the Japanese-British group jor industrial town.

lateral trading system, Sr Jaramillo said.

against developing countries have already led to a decline of 4 per cent in their exports to the U.S. in the period from October, 1984 to March 1985 compared with the corresponding period 19 months explicit

single-track rail tunnel to link
Helsingborg in Sweden and
Helsingör in Denmark.
The cost of the rail tunnel
is estimated at SKr 2.3bn with

two countries.

The main pressure for road and rail links across Oresund is coming from Sweden. Mr Curt Beström, the Transport Minister, said yesterday: "Swedish industry has a great need of better links to the Continent, it must be able to compete."

wins Thai aircraft deal

By Boomsong K'Thana in Bangkok

SHORT BROTHERS Belfast has we na small but

The Thai Cabinet yesterday

The contract, worth about (8.9m (£6.8m) is a triumph for Shorts as it may prevent the entry of other rival aircraft of its size to the Thai's air-line feederline fleet, now comprising four smaller Shorts

Rival producers like De Havilland of Canada and Saab Fairchild of Sweden had competed fiercely to push the sale of the Dash-8 and the Saab Fairchild 340, both pressurised aircraft the same size

Meanwhile, McDonnell Donglas is launching a sales drive for its new advanced Tri-jet MD-11X aircraft to Thai Airways International, the country's national air-

Charles, Louisiana by next year, were awarded by Himont the world leader in polypropylene production which is 50 per cent owned by Montedison and 50 per cent by Hercules of the U.S. The After the deal is complete Montedison will own 86.5 per cent of the Dutch holding com-pany and Compo 13.5 per cent. The new company, like Compo. cent by Hercules of the U.S. The will be quoted on the U.S. Stock two plants will each have Exchange.

TECHNIMONT, the engineering capacity for the manufacture of subsidiary of Italy's Montedison 140,000 tonnes a year of polypropoup, has won a contract to handle design and implementation on a \$80m (£61.5m) turnkey nounced plan to merge its Australia and the monted polypropolyment.

Technimont wins share

in \$80m U.S. project

BY OUR MILAN CORRESPONDENT

project to build two polypro-pylene plants in the U.S.

The constracts, which call for the completion of plants in Bayport, Texas and Lake

Dated: July 3, 1985

To the Holders of THE KINGDOM OF DENMARK

NOTICE OF REDEMPTION

nounced plan to merge its Ausi-mont chemicals subsidiary with

compo industries of Delawere is to be effected by combining the shares of both companies in a new Dutch-registered vehicle.

U.S. \$600,000,000 Undated Floating Rate Notes

NOTICE IS HEREBY GIVEN to the holders of the outstanding U.S. \$600,000,000 Undated

NOTICE IS HEREBY GIVEN to the holders of the outstanding U.S. \$600,000,000 Undated Floating Bare Notes of The Kingdom of Denmark that, pursuant to the provisions of the Fiscal Agency Agreement dated as of August 8, 1984 and the Terms and Conditions of the Notes, The Kingdom of Denmark intends to redeem on August 8, 1985 all of its outstanding Notes, at a redemption price equal to 100% of the principal amount thereof.

Payments will be made on and after August 3, 1985 against presentation and surrender of Notes with coupons due February, 1986 and subsequent attached in U.S. Dollars, subject to applicable laws and regulations, either (a) at the office of the Fiscal Agent in New York City, or (b) at the main offices of Moranty Trust Company of New York in Brussels, Frankfurt am Main, London and Zurich or Kredietbank S.A. Luxembourgeoise in Luxembourg. Payments at the office of any paying agent outside of the United States will be made by check druwn on, or transfer to a United States dollar account with, a baround of Manhattan, City and State of New York. Any payment made by transfer to an account maintained by the payee with a bank in the United States may be subject to reporting to the United States Internal Revenue Service (IRS) and to backup withholding at a rate of 20% if payees not recognized as exempt recipients fail to provide the paying agent with an executed IRS Form W.S. certifying under penalties of perjury that the payee is not a United States person or an executed IRS Form W.9, certifying under penalties of perjury the payee's taxpayer identification number on 1RS Form W.9 and who fail to do so may also be subject to a penalty of \$50. Please therefore provide the appropriate certification when presenting your securities for payment.

Notes surrendered for payment should have attached all unmatured coupons pertinent thereto. Coupons due August, 1985 the Notes will no longer be outstanding and interest thereon shall cease to accure.

THE KINGDOM OF DENMARK By: Morgan Guaranty Trust Company

OF NEW YORK, Fiscal Agent

BAe pushes the Alarm in West Germany

BY PETER BRUCE IN BONN

British and West German Government officials

meet today to discuss intense lobbying by

INTENSE SALES efforts by British Aerospace and Whitehall appear to have delayed final West German approval for the acquisition of a \$380m (£292.3m) American anti-radar missile system, built by Texas British Aerospace to sell its Alarm (air launched Instruments, for the Luftwaffe and the air arm of the West anti-radiation missile) to Bonn German Navy.

The British are trying to sell

a similar, more sophisticated system to the West Germans.

To the irritation of some officials in the Bonn Defence Ministry, the British have been

lobbying hard among the parlia-

summer break began this week.
British efforts to sell BAE's
Alarm (air launched antiradiation missile) to Bonn are
likely to be intensified in talks

being held here today between Mr Adam Butler, Britain's Minister of State for Defence Procurement, and Dr Manfred Timmermann, State Secretary in the West German Defence Ministry.

SWEDEN hopes to reach agreement with Denmark this autumn on the construction of road and rail links across the Oresund, the strait separating southern Sweden from the Danish island of Zealand. It would be one of the biggest transport projects ever contemplated in mentary committees which were expected to have given approval to procuring the U.S. Harm (high speed anti-radiation missile)) before Parliament's

Sweden and

Denmark

seek road

By Kevin Done, Nordic Correspondent, in Stockholm

rail link

ever contemplated northern Europe. The road bridges and tunnels planned between Malmö in Sweden and Copenhagen, the Danish capital, and rail links between Helsingborg, represent two of the major missing links in the transport network of northern

The project would be similar in scope to the Channel tunnel proposed between England and France, but has previously been blocked chiefly by political obstacles in Denmark.

obstacles in Denmark.

The economic arguments in favour of the scheme, which has been under discussion for several decades, have strengthened significantly according to a joint report of the two Governments published recently.

The report favours the building of a 17 km, four-lane motorway link between Malmö

building of a 17 km, four-lane motorway link between Malmö and Copenhagen with a system of tunnels and bridges esti-mated to cost around SKr 3.3bn (£289m) (at Janu-ary 1884 prices). The project would take between seven to nine years to complete.

The report also supports the construction of a five-km

a building time of eight years. The report says the road link should be fuanced through a system of tolls, while the rail tunnel costs would be covered by the rail-way administrations of the

Short Brothers

important contract to supply two 36-seat Shorts 360 turbo Prop commuterliners to Thai Airways, Thailand's state-run domestic airline.

approved the deal which put an end to a series of debates lasting over three months over the relative merits of unpressurised aircraft.

has told Bonn it could start their requirements. The two deliveries by the beginning of senior West German officials

Alarm, however, is still being developed, having been chosen by Britain's Royal Air Force on its Tornado fighter bombers after ithad studied Harm-British Aerospace has said it would be able to begin supplying the West Germans by the end of 1987.

The company says it has The RAF plans to use Alarm on its Tornado fighter bombers primarily as a means of destroying fire control radar systems in attacks on "enemy" airfields. Bonn, however, wants to use Harm in the same way the U.S.

Navy does—to hit ship radars. offered the weapon at some 15 per cent below the price quoted for the U.S. system. It is also prepared to make a full technology transfer to West German companies, including the sensitive homing head and navigation system designs. The U.S., while also offering local companies some work on the missile, is understood to be

West German officials present at that first briefing

Bonn, however, wants to use Harm in the same way the U.S. Navy does—to hit ship radars. British officials stung by the apparent indifference to their apparent indifference to their product in the West German Defence Ministry, argued that the Alarm would have much more sophisticated technology than Harm, that it was smaller, that German Tornados could carry more and that it would be more accurate. The British then approached the parliamentary defence committee in for the committee. mentary defence committee in

The committee, which has to approve requests for weapons sent some of its members to Britain last November for fur-ther briefings on the missile.

the name of the weapon, Harm, as the one it wanted to buy, and was the only one of its kind

The visit of the Parliamentarians to Britain, however, resulted in BAe being invited back to the Defence Ministry to give another presentation, this left early. time last December. and The RAF plans to use Alarm further one in January 1985. time last December, and a

British Aerospace was by now reporting the content of these meetings back to the chairman of the defence committee, and complaining that Luftwaffe officers attending their briefings were not even bothering to ask questions about Alarm.

A further study trip to Britain, this time by Bonn Defence officials, to view what technology BAe had to show, also elicited few questions. This was also woned by the beautiful triple of the study of was also reported back to the

In May, the Ministry produced a comparison of the two missiles for the committee but, to the dismay of the British side, the comparison was made on the basis of the original operational requirement document, which was tailored to the U.S. missile.

BAe has made a formal sales year, to the West Germans offer- missile to West Germany.

precedent, the Ministry had ing, through a complex formula, written into its original opera-tional requirement document ment asked for by the Ministry. West German companies would be given the work on the missile thus far had convinced the rele- and any failure to cover investvant politicians that the missile ment would be met by purchases

> This offer, made in late April this year, is understood to have been met with a similar American proposal. The Harm missile is Texas Instruments's first major weapons system, and it has won a \$522m order for 1.571 units from the U.S. navy. The Germans want to order a further 866 missiles.

The alarm project was last discussed with the defence committee at BAe's stand at the Paris air show last month, and the British are drawing some comfort from the fact that a final decision has not been

A prime worry for BAe is that in trying to stop a final procurement order going out for Harm, it may have angered senior or influential officials at the defence ministry, some of whom are very closely identified with the decision to order the American missile. The danger relations with the ministry over a missile which came very late into the running while it is negotiating to sell other equipproposal, valid to the end of this ment, including the sea Skua

Saab wins \$29m aircraft order

BY DAVID BROWN IN STOCKHOLM

SAAB SCANIA, the Swedish sold to Kendell Airlines, a small are de Havilland's Dash-80's, the automative and aerospace group, regional service based in Wagga French-Italian ATR-42, and yesterday announced the sale Wagga, Australia. Both are to Embraer's Brasilia 120. automative and aerospace group, yesterday announced the sale of five SF-340 regional aircraft be delivered in mid-1986.

worth a total of \$29m (£22,3m).

Finnaviation, a subsidiary of Etween Saab Scania and Fair-Finnair, has ordered three of the 35-seat turboprop commuter far, it has received 75 firm worth a total SKr 300m (£26m) worth a total SKr 300m (£26m) worth a total SKr 300m (£26m) worth a total SKr 300m (£26m)

orders for the aircraft (10 since

with Deutsche Babcock, with which it has formed a local delivered in August, 198, and the start of June) which it has formed a local the third several months later. The major competitors to the consortium to compete in the A further two aircraft have been five \$5.8m twin-engined craft Federal Republic of Germany.

UK soft loan for Jakarta

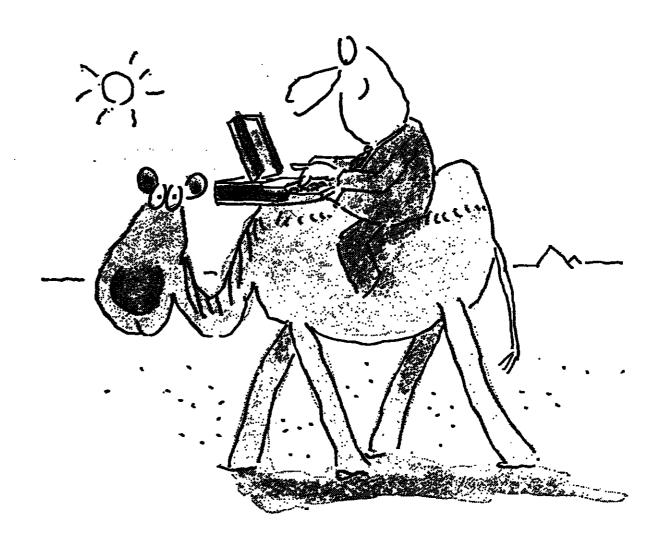
Arr Paul Shannon, Britain's Trade Minister says that a substantial soft loan package is at present being put together to help British business prospects in Indonesia reports Kieran equipment subsidiary of Asea, the Swedish electrical engineering group, will share orders worth a total SKr 300m (£26m) Mr Shannon said he had discussed the loan package with Indonesia's Several British Government has recently come under increased pressure to offer such packages to help with contracts abroad and to compete with similar arrangements being offered by other countries.

Several British Government has recently come under increased pressure to offer such packages to help with contracts abroad and to compete with similar arrangements being offered by other countries.

discussed the loan package with Indonesian ministers and it would be offered as soon as possible. He declined to say how much it would involve.

Mr Paul Shannon, Britain's The British Government has

in connection with Indonesia's ambitious development programme particularly in the power generation, rail and air transport and shipping sectors.



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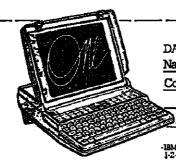
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Reagan in low key welcome for freed TWA hostages

Mr Reagan, who was due to meet the main group of return-

ing hostages at Washington's Andrews oir force base later

resterday, was expected to keep the arrival ceremony relatively low key. The White House felt that it would be

inappropriate to stage major national victory celebrations,

given that seven American

hostages remained in Lebanon and that the TWA captives had

not been freed by a Washington military exploit.

About one third of therela-

lively small sample interviewed in the opinion poll said that they favoured military retalia-

The poll also showed warmer feelings towards Israel, follow-

a period during the crisis when

in thehope of preventing fur-ther terrorism against Ameri-

A total of \$895.5m was received by Exxon and its partners in the field during the period of price controls, and interest is being charged at the rate of \$470,000 a day on the

sum owed.

According to an Exxon spokesman, the company has decided to ask the special court, set up in the 1970s to deal with disputes in the energy industry.

industry, to reconsider the

growing minority favoured istancing the U.S. from Israel

tion for the hi-jacking,

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

PRESIDENT Ronald Reagan original hi-jackers and would yesterday prepared a restrained welcome home for the freed weicome nome for the freed Beirut hostages, as a nationwide opinion poll showed overwhelm-ing public support for his handling of the crisis. But while three-quarters of those interviewed said that they

original hi-Jackers and would
"go after them." If legal steps
did not work, "we'll take them
nonetheless. Then, we'll take
other steps." he said.
Some of the freed hostages
yesterday told the New York
Times that the hi-Jackers had
planned to kill American
servicemen separated from the
other passengers "one by one." approved of Mr Reagan's conduct, the Washington Post/ABC other passengers "one by one."
The killing was intended to
"accelerate the process" of
negotiation between the hijackers and the more moderate
Shi'ite Amal Militia, according
to one former hostage. News poll showed continuing strong misgivings over the wider impact of the hostages' 17

day ordeal.

More than four in 10 (42 per cent) said that they thought the outcome was more a victory for the terrorists, while only 28 per cent thought that it was more of a U.S. victory. More than one third (36 per cent) said that Mr Reagan had not been tough

enough.
Mr Reagan's attempt to close Beirut airport by legal and dip-lomatic means, announced on Monday, also met a cool recep-tion yesterday. Congressional sources described the move as on empty gesture, considering that the airport is already virtually unused except for flights by the Beirut-based Middle East Airlines (MEA), and Mr Dean Rusk, the former State Secretary, dismissed it as "something of a flea bite."

Mr George Shultz. the U.S. State Secretary, said of MEA that "we're not out to get the airline. We're out to get the airport."

Other officials however, admitted that ending all international flights to the airport, as called for by the Administration, would not have prevented the TWA hi-jacking.

Mr Shultz said that the U.S. it should," with 37 per cent disagreeing.

against a ruling by a special federal court in which it was

ordered to pay \$2bn (£1.5bn)

for over pricing crude oil from an oilfield in Texas, writes Terry Dodsworth in New York.

The company's decision fol-lows the failure of its appeal

to a temporary emergency court in Denver against a U.S. Department of Energy ruling that it overcharged for oil

during a period when the U.3. case.

Exxon to appeal again

EXXON, the world's leading industry faced strict price oil company is to appeal controls in 1975 to 1981.

U.S. new factory orders rise 2.1%

U.S. manufacturers managed a modest turn round in fac-tory orders in May thanks to increased demand for non-defence capital goods and the continuing strength of defence

spending.

New factory orders in May increased \$4bn, (£3.1bn), or 2.1 per cent. to a seasonally adjusted \$195.85bn. Orders for durable goods rose 3.2 per cent, with defence orders for aircraft, aircraft parts and shipbuilding accounting for about 80 per cent of the in-

Between Janary and April.
defence spending had been unable to compensate for the weakness in manufacturing in April, factory orders declined 8.3 per cent and in March they fell 8.8 per cent, according to revised figures.

However, in May orders for non-defence capital goods rose 0.8 per cent, showing, according to one Commerce Department economist, that although military money is cushioning the economy, there is still some strength left in the domestic manu-

facturing sector.

Manufacturers' shipments had reached a high of \$196.2bn in December 1984 before dropping to \$191.7bn in January and then making small increases in three of the last fourth months.

Excluding defence, unfilled orders were down 0.9 per cent in May, and they have een generally declining ince last July, Meanwhile, the Commerce

cans in the Middle East. Almost half (46 per cent) agreed that Israel "helped the U.S. deal with Department has reported a 1,5 per cent increase in May's total construction spending. Sales of new single-family houses rose 9.7 per cent during the mouth to a seasonally adjusted annual rate of 676.000.

• After months of clinging to After months of chinging to a forecast of a 3.9 per cent growth rate, the Reagan Administration is preparing to lower its projection for economic growth for all of 1985, according to Mr Beryl Sprinkel retrobaltmen of the Sprinkel, new chalrman of the President's Council of Economic Advisers, AP-DJ reports from Washington.

Mr Sprinkel said that the Administration will "very probably . . . revise down a little" lts forecast despite signs that the economy is ganing strength. Hugh O'Shaughnessy looks at a Lima businessman's campaign against bureaucracy

A positive view of Peru's informal economy

SR HERNANDO DE SOTO is 43 years of age, forceful, voluble and rich. The Peruvian business-man speaks rapid English with a strong American accent, loves publicity and lives in a large modern house in the chic Lima suburb of Monterrico. Incon-gruous as it may seem, Sr de gruous as it may seem, so ue soto is one of the few Peruvians to have studied the city's fast growing slums and Peru's luxuriant black economy and come up with ideas about the problems and opportunities they present present.

Sr de Soto has been a director of the central bank and president of Cipec, the International Council of Copper Exporting Countries, but he says he has always been uncomfortable with the status quo. He has certainly shaken up conventional thinking about the less fashion-able end of Peruvian society.

Research carried out by his Institute for Liberty and Demo-cracy (ILD) has revealed some surprising facts about what Sr de Soto calls the "informal" economy and those who run it, not least about its size and efficinot least about its size and emciency. He has become a champion of the rights and prerogatives of the informal sector
against what he sees as the
overweening power of an
immensely bidebound and
bureaucratic pre-capitalist state.

and the informal economy has
been deformed, he says, by a
succession of sociologists who
have penetrated parts of the
capital in search of poverty and
found it; but they have not
reached the more prosperous
bureaucratic pre-capitalist state.



Sr Hernando de Soto: shaking up conventional Peruvian thinking

In Lima, a city of 5m people, he estimates that there are no less than 300,000 street vendors and tens of thousands more people who operate illegal taxis, buses and other services. Many of them are doing very nicely

The image of slum dwellers and the informal economy has

about discussing their quiet, illegal, prosperity, The big turnover of some

The big furnover of some street traders is attested, according to Sr de Soto, by the fact that the right to trade on a few feet of favoured parts of the pavement in Lima can change hands for as much as \$750 (£577) a month.

A relief driver of an illegal bus, for instance, can earn up to \$560 a month while an owner-driver can earn as much as his Israeli counterpart and almost as much as a bus driver in the U.S. The ILD has

uncovered examples of five-storey factories and a high-tech workshop producing precision parts for the Peruvian air force operating in the slums outside the formal economy.

The informal sector, Sr de Soto argues, provided housing for 2.7m Peruvians between the mid-1950s and 1982 at a cost of \$7.2bn, 20 times what the state expended in cheap housing. While the municipality has created two main nousing. While the induction pality has erected two main markets in recent years in Lima, the street vendors have organised 196.

This other economy exists, says Sr de Soto, because the tradition of red tape instituted under the Spanish viceroys still strangles aspiring businessmen. Research carried out by the

ILD showed that to establish and register legally a small clothing factory required 289 days of full-time work, the submission of 31 metres of application forms and the necessary bribery of eight officials.

Sr de Soto rails against system which produces 24,000 new regulations every year In February, Sr de Soto and

the H.D thought they had scored a victory in the fight for a freer market. The Government of President Fernando of the atrain.

new government measures offecting citizens' rights ris-aris the state had to be pub-lished in draft form in the official gazette together with a justification and submitted to public comment.

The announcement came after months of discussion between the Government and the ILD; Dr Luts Percovich, the Prime Minister, greeted it as "a transcendental decision of the Government."

Government."

Shortly before, the government had established the National Commission of Economic Rights (Code) to champion the individual against the bureaucracy. The bureaucracy paid no attention, however, continuing to publish regulations without any sort of consultations. Sr de Soto and the ILD have retired hurt.

Sometimes. Sr de Soto is

Sometimes, Sr de Soto is carried away by his own rhetoric, massaging facts to suit his own arguments. But few will deny that his assaults on sterile bureaucracy and his new and positive view of black economies are valid in many Latin America countries, not just Peru. As growth in the formal economy stalls, the black economy is taking much

Unions sign Japanese-style contract with GM-Toyota

BY TERRY DODSWORTH IN NEW YORK

UNION leaders at the jointly-owned General Motors-Toyota car plant in Fremont, Cali-fornia, have negotiated a pacesetting wage contract which introduces several radical Japanese ideas on worker-management relations to the U.S. motor industry.

Among the new concepts, described as "highly innovative" by a labour lawyer close to the discussions, is a sweeping reduction in the number of job categories in the plant, and an agreement that workers will not he laid off until executives have taken salary cuts.

Production at the joint project plant, New United Motor Manufacturing (Nummi), began late last year under the direction of a largely Japanese management. But until now, workers at the plant have been employed under

Auto Workers (UAW) wages in

The contract talks at Nummi have been closely watched by the rest of the U.S. industry, because it is the first large Japanese car plant which has allowed the UAW entry. Executives also believe that Nummi's wages plan could provide the base for similar agreements in other Japanese plants, while its innovative approach could pos-sibly spill over into U.S.-owned

Wages under the deal are in line with pay in General Motors' plants, with assembly-line workers earning \$13.28 (£10.29) an hour before bene-

The most important change from traditional contracts, however, lies in the reduction of job categories from around 100 in a temporary agreement at rates sightly lower than the nationally negotiated United and three for skilled tradesmen.

Dominican **Premier** re-elected

Dominican Prime Minister, Dominican Prime Minister,
Mary Eugenia Charles, a close
U.S. ally in the Caribbean,
swept to re-election on Monday, according to unofficial
but complete results, AP reports from Dominica.
With all 21 districts showing complete returns, the

With all 21 districts showing complete returns, the ruling Dominica Freedom Party captured 15 seats, to five seats for the Labor Party and one for the United Dominica Labor Party.

Miss Charles' party captured nearly 59 per cent of the approximately 33,900 votes cast, election officials said. The Labor Party won 39 per cent.

said. The Labor Party won 39 per cent.

The left-leaning Labor Party, formed last year from three competing opposition parties and led by Mr Michael Douglas, had criticised Miss Charles' close ties to the Reagan Administration during the campaign. Miss Charles encouraged the 1983 U.S. invasion of Greuada.

Leader of Mexico's main left-wing party kidnapped BY DAVID GARDNER IN MEXICO CITY

left-wing grouping, the Unified Socialist Party (PSUM), has been kidnapped, further souring the tense atmosphere in the run-up to what are probably the most hotly-contested elections here in half a century.

Sr Aroldo Martinez Verdugo, a veteran leader of the old Mexican Communist Party, and the PSUM's candidate in the 1982 presidential elections, was taken from his office on Monday afternoon by five heavily armed men, party officials said.

The PSUM is an essentially "Eurocommunist" coalition built round the old Communist Party, which formally dissolved itself in 1981.

Party officials said the kidnappers described themselves as members of the self-styled nappers described themselves as members of the self-styled who had been wiped out by the Party of the Poor, the residue of the left wing guerrilla movement which operated throughout the 70s in the hills of the flation.

The survivors of the guerrilas, who had been wiped out by the army by 1978, are demanding the return of the money with allowance for interest and inflation.

THE LEADER of Mexico's main south western state of Guerrero. The incident appears to have no direct connection with Sun-ray's mid-term elections, which are for a new Congress, Seven out of the 31 state governorships and some 800 town halls.

In these elections, the opposition stands to make major gains from the all powerful In-stitutional Revolutionary Party (PRI), 56 years in power,

Sr Martinez Verdugo's kidnapping seems motivated by an old feud between the Party of the Poor and the Communists.
Part of the ransom for the 1974 kidnapping of Guerrero's state governor, was handed over to the new PSUM by a former guerrilla, who was also kidnapped in February.

The survivors of the guerrilas,

RESOURCES REVIEW: EXXON

The big tests that lie ahead

By Ian Hargreaves



WHEN Mr Clifton Garvin, Exxon's chairman, stood up in Los Angeles recently to address his tenth annual meeting, he had good reason to sound pleased, even though his compony and the industry it dominates face some searching strategic questions.

Exxon had also, he said, made solid progress in re-structuring its business—reducing refinery capacity by 30 per cent in five years, upgrading its retail network and cutting costs by reducing staff and improving the efficiency of operations. These economics, Mr Garvin said, had contributed \$0.5bn to Exxon's \$5.5bn 1984

per share last year was up line, no 17 per cent on 1983, compared Exxon. with an 11 per cent increase in net income overall.

Exxon, he noted, had emerged from the extraordinary turbulence of the decade of oil shocks "strong and vigorous." Net earnings in 1984 had reached a record high and shareholder dividends were valued. Wall Street is delighted with this new Exxon. The company's other oil majors. Only Amoco has come close to matching Exxon in this regard.

Invulnerable to Boone Pickens style raiders on the grounds of size anyway, Exxon has surprised observers by the seriousness with which it has absorbed the central Pickens nostrum: remember the share-

NOTICE OF REDEMPTION

Electricite de France (E.D.F.), Service National US \$300,000,000 Floating Rate Notes 1995

NOTICE IS HEREBY GIVEN to the holders of the outstanding US\$300,000,000 Floating Rate Notes 1995 (the "Notes") of Electricite de France (E.D.F.), Service National that, pursuant to the provisions of the Fiscal and Paying Agency Agreement dated as of February 10, 1983, and the Terms and Conditions of the Notes, Electricite de France (E.D.F.), Service National has elected to redeem on August 12, 1985, all of the outstanding Notes at a redemption price equal to 1000? of the principal amount thereof, All conditions precedent to the Redemption of the Notes have occurred. The relevant authorizations of French Ministry of Economy Finance and Budget (including the Tax Department of such Ministry), have been obtained. Payment will be made upon presentation and surrender of the Notes, together with all unmatured coupons appertaining thereto, at the main offices of any of the following: Morgan Guaranty Trust Company of New York in London and Brussels or Krediethank S.A. Luxembungeoise in Luxembourg, Payments at the office of any paying agent outside the United States will be made by a dollar check drawn on or transfer to a United States dollar account with, a bank in New York City, New York subject to any laws or regulations applicable thereto.

Coupons due August 12, 1985 should be detached before presentation of the Notes and collected in the usual manner.

Interest shall cease to accrue on the Notes with effect from and including August 12, 1985

Interest shall cease to accrue on the Notes with effect from and including August 12, 1985 and all coupons relating to any Interest Payment Date falling after that date shall thereupon become void.

In terms of earnings per course, the sprightly dinosaur supertanker that changed This is the period, in which everywhere else. In 1984, share, Exxon's progress in 1984 and the cash machine that taken firm action to shelve protection in upstream operating profits of an action of areas, most not share everywhere else. In 1984, share everywhere else. the number of Exxon shares outstanding has been reduced by almost 10 per cent since 1983, when the company began in earnest a stock repurchase programme which has so far cost it over \$4bn. Net income per share last year was un 17 magnine assessment put it, with a so far contain the damage." Big, pronounced the Forbes head traumatised, Exxon saw what transfers staffers from its process the deduction on New York's Sixth Avenue across the Hudson to the company's original homebase in New Jersey, is both a humbler

Wall Street is particularly struck by the apparent paradox that Exxon's profits have got bigger, as its revenues have fallen. At the peak in 1981, sales totalled \$115bn. Last year, the figure was \$97.3m. Oil product sales fell by 17 per cent in cash terms in that period.

Exxon, then, has successfully adapted to the post-nationalisa-tion world in which it has less crude oil to sell. Last year, for every barrel of crude oil Exxon produced, it sold 2.5 barrels of oil products. A decade ago, the ratio was 1.8:1.

Faced with world of stagnant holders.
Going New York metaphors oil demand, which Exxon's fore-casters spectacularly failed to thus portray Exxon as the foresee, the company has also

projects. Exxon today, as it transfers staffers from its prestigious headquarters building performance elsewhere in the clusion that Exxon, for all the non-Opec world, especially in across the Hudson to the company's original homebase in New Jersey, is both a humbler and a sharper company.

Lemms Herrich Hudson to decide the company's original homebase in Outside the U.S., the company there on average capital these figures to avoid the conclusion that Exxon, for all the non-Opec world, especially in recent acclaim, is a company which is still making some to 412,000 b/d last year.

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Outside the U.S., the company the tree by Opec in the 1970s

being generated upstream, whereas just about everywhere else in the business profits are low or non-existent. This raises the question of whether Exxon, traditionally the most centralised and inte-

grated of the big oil companies, is still working with the wrong mind-set. Does it make sense for a company to operate such a vast marketing and refining system on the basis of a system on the basis of a stationary or even dwindling crude oil resource base? Are the margins ever likely to be adequate in this business, even for an efficient operator?

• Just how deep have the cuts been in a company bureaucracy which is famous within the industry for its ability to put an Pr industry for its ability to put an army into the field to tackle a problem, where competitors would make do with a platoon? Does Exxon's corporate culture of centralisation mean that it inevitably carries a higher staff overhead than it needs to?

Exxon's record in finding new reserves of oil and gas also ralses critical questions. A recent and market improvement in the company's reserve replacement performance has its roots in the period of the late 1970s, when Exxon became

late 1970s, when Exxon became noted for paying over the odds for leases. Will these prove to be good investment decisions if oil prices continue to fall?

The first of these questions can be fleshed out with a few numbers. Although difficult to disentangle practisely, Exxon's profits per unit of oil and gas output have risen steadily in cash terms since 1980, in spite of falling prices. Over that period, total upstream operating profits were little changed at around \$20n. Exxon's equity oil production, meanwhile, fell from 1.7m b/d to 1.68m b/d and gas production from over 7bn cubic feet a day to under 6bn cu ft per day.

ably Saudi Arabia, and when income of \$5.5bn. Upstream its output in the U.S. has been assets, however, comprise only falling. But these two adverse trends have been counteracted

and a sharper company.

But for all this, Exxon still faces a major test of character in the years ahead. Four points stand out.

The imbalance at the heart of Exxon's profit base, where fabulous rates of return are still being generated upstream, whereas just about everywhere of return at home and abroad were almost identical. And this is in spite of the strong Gollar. Exxon man recently named as
The reasons for this diverthe company's president and
gence are many and varied. The
front-loaded U.S. tax and oil to Mr Garvin when he retires

front-loaded U.S. tax and oil to Mr Garvin when he retires lease auction system has played at the end of next year, Exxon a part, along with Exxon's may find itself following the relative drilling success rates in the two areas. But it does also rate. illustrate the point that Exxon,

Exxon's faith in its future

Outside the exploration and production sector, Exxon's performance, in common with much of the rest of the industry, has ranged from the mediocre to the downright poor. Its minerals and mining division has made 10 consecu-tive annual losses, aggregating \$434m

Reliance Electric, which makes motors and other industrial products, has been barely and only patchily profitable. Chemicals has averaged a return on capital of only 8 per cent in the past four years and refining and marketing have done little better—11 per cent in the U.S. and 9 per cent elsewhere. Exxon's marine business has lost \$343m in the past three years, as the company has at three years, as the company has trimmed, but less severely than some competitors, the size of its tanker fleet.

In short, Exxon makes money upstream and loses it or enjoys inadequate returns just of the same competitors and the system is certainly mental to the same competitors, the size of its tanker fleet.

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half Exxon's total. It is difficult on the basis of

But like other oil companies, the windfall gains shaken from the tree by Opec in the 1970s have provided a comfortable blanket of upstream profitability to conceal its hesitation.

It would be unfair, how-ever, to suggest that Exxon's management is inattentive to these points. The direction of management policy — to shrink the company — is clear. Under Mr Larry Rawl, the career Exxon man recently named as

EXXON'S POSITION										
	1986	1981	1982	1983	1984					
let income (\$m)	5,350	4,826	4,186	4,978	5,528					
eturn on equity (%)	21	17.8	14.9	17.2	19					
ong-term debt (\$m)	4,717	5,153	4,556	4,669	5,105					
apital spending (\$m)	8,041	11,092	11,412	9,030	9,755					
roved oil reserves (bn barrels)	6.7	6.2	6.3	6.5	6.5					

although formidable in its geo-graphical spread, is heavily points: that Exxon has posi-exposed to vicissitudes of tioned itself as a low-cost, foreign taxation regimes. points: that Exxon has posi-tioned itself as a low-cost, efficient operator both up and downstream, able to ride out the hard times, and that even-tually the hard times will end as Opec re-asserts its pricing power in the market. Both propositions are, at least, debatable. Exxon's strategy downstream, for example, has seen it cut refining capacity from over 6m b/d in the late 1970s to 4.6m b/d now.



Mr Clifton Garvin, Exxon's chairman.

spite of deep cuts by the West's major oil companies. So Exxon could continue for some time to find itself squeezed between aggressive, if hand to mouth, independent refiners in North America and the great integrated state oil companies of opec.

2 vailability is expected permanently is expected permanently is expected permanently is expected permanently is expected permanently. In the long-term requirements of the business."

In the politie world of Shell, that goes down as quite a dig at Exxon, which more than any other large oil company finds grated state oil companies of investment opportunity.

Opec.

Wall Street, however, has little time at present for this type of thinking. The market in Exxon shares is strong, because Exxon has ensured that demand for the shares is strong.

Wall Street's answer to the question of whether Exxon can go on buying shares and, in effect, liquidating itself at the margin to the direct benefit of shareholders is: yes. The company still has over \$16m shares outstanding and the company is, it cannot be denied, a busy cash machine. At the end of last year, in spite of the sharebuying spree, Exxon still held over \$3.2bn in cash and marketable securities and long-term.

This may not matter for a while and indeed, in market terms, the share buy-back may be a thoroughly healthy activity. But it does tend to give the company a stalled, anxious image which might not, for example, make it an attractive appear, of course, if Exxon could make a couple of really large discoveries, capable of absorbing even more investment dollars than the \$7bn a year the company is already disburssing upstream. But that the kind of "if" all oil companies face, in one form or able securities and long-term panies debt still equals only 17 per another. cent of total capital.

growing slowly at best and its nearest competitor, has been growing slowly at best and the series are gradually falling? Moreover, because of the politics of oil, normal economic pressures may not work to balance supply and demand.

World refinery capacity, for instance, has not changed significantly in the last decade, in spite of deep green by the World and the cash availability is expected engaged. spite of deep cuts by the West's availability is expected perman-

of investment opportunity.

These questions would disappear, of course, if Exxon could make a couple of really large discoveries, capable of absorbing even more investment dollars than the \$7bn a year the company is already disbursing upstream. But that is the kind of "if" all oil companies face, in one form or panies face, in one form or

Reliance Electric, which makes motors and other industrial products, has been barely and only patchilly profitable. Chemicals has averaged a return on capital of only 8 per cent in the past four years and refineries to produce a greater proportion of light products. Refinery investments peaked in the U.S. and 9 per cent last year were \$791m. Marketing three years, as the company has trimmed, but less severely than some competitors, the size of its tanker fleet.

The result is that Exxon's marine business has lost \$343m in the past full less everely than some competitors, the size of its tanker fleet.

The result is that Exxon's marine business, where demand is in the way that Royal Dutch/Gueil, \$15m a day.

The late 1970s to 4.6m b/d now to the foot total capital.

Since Exxon, in common with the other big oil companies, has entirely lost confidence in the other big oil companies, has entirely lost confidence in the other big oil companies, has entirely lost confidence in the other big oil companies, has entirely lost confidence in the other big oil companies, has entirely lost confidence in diversify, there seems little else the company can do with its basic energy business. That is unless Mr Garvin and his is unless

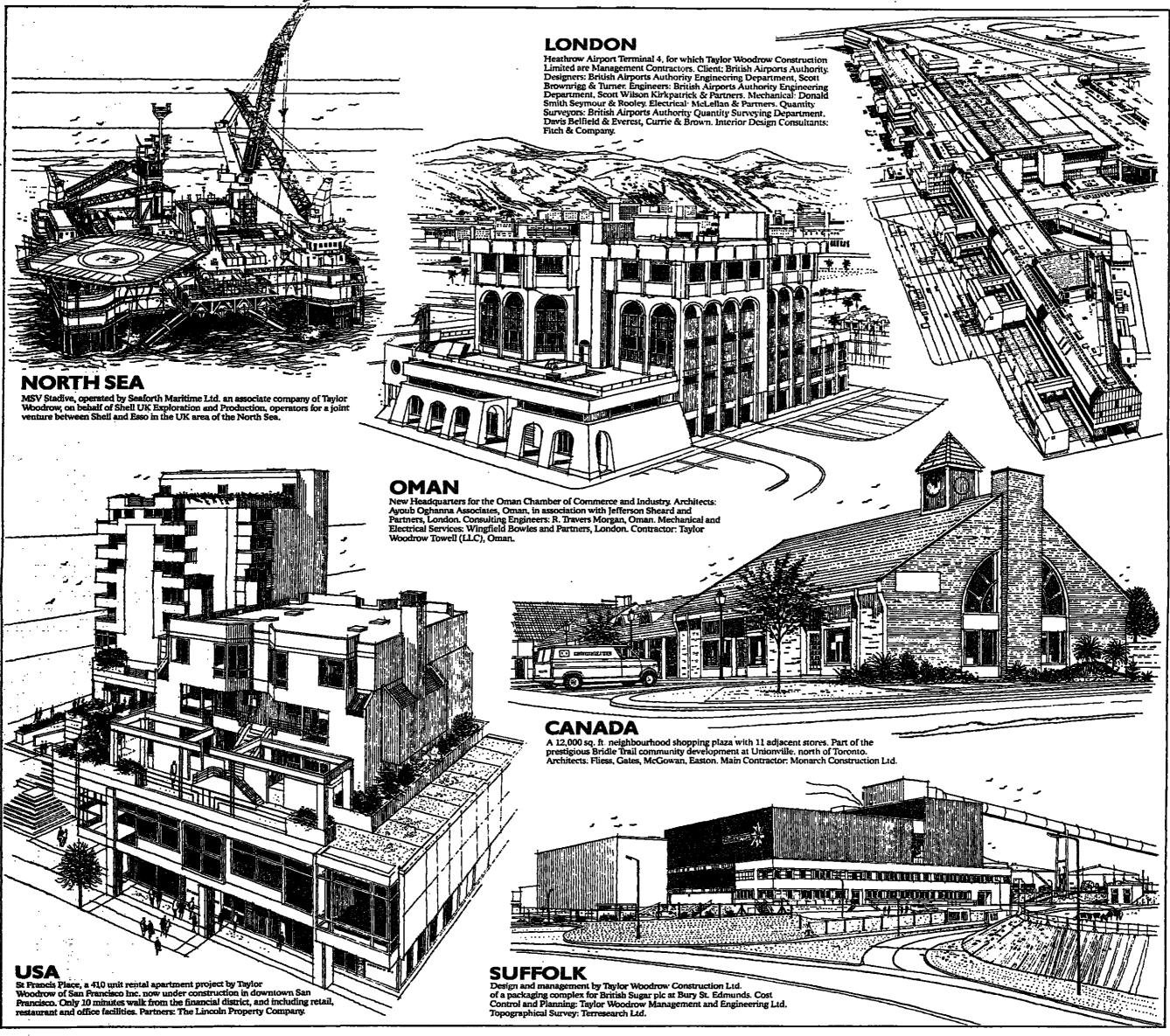
Dated: July 3, 1985

By: MORGAN GUARANTY TRUST COMPANY

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Summer sharpens focus on teachers' dispute

By David Brindle

COMPUTER SPECIALIST James Punnet will not be the only teacher that y to resign from the state system this school term. He will, however, be one of the few who write to Sir Keith Jo-

seph, Education Secretary, to say why. In his letter to the minister, Mr Punnet says he is leaving his post at Martindale School, Hounslow. West London and is quitting the profession with mixed feelings of sadness, guilt and relief.

The sadness, he says, is at leaving the sadness and the says and friends.

ing behind colleagues and friends; the guilt is at letting down the school children; the relief, he tells Sir Keith, is "to be away from the penny-pinching, squalid scrabbling.

MORR!

Mr Punnet's bitter adieu, a copy of which is published in the latest issue of The Teacher, the journal of the National Union of Teachers (NUT) speaks volumes for a profession locked into seemingly-intrac-table pay disputes both in Scotland and in England and Wales.

Today, one more attempt will be made to break the deadlock that still persists in London after 21 weeks of disruptive action in English and Welsh schools. Hopes are higher than for some time, but the odds on a settlement remain long.

less than this figure.

(actual average to date is 65%).

ignore this opportunity?

This is the start of something

requirements remain the same.

chance to force a settlement before the summer school holidays and before the dispute is put on ice, to be reactivated in the autumn term.

Hopes rise for peace in Britain's schools, but odds on a pay deal remain long

The unappealing prospect of re-sumed conflict in September will concentrate minds on either side of the bargaining table. Most pressure, however, will be on the unions, which face the considerable problem of maintaining the mo-mentum of the dispute over two months of inactivity.

The NUT's best ideas on this keeping up pressure on MPs, pro-moting "parent support groups" and

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make-ends-meet genre of behaviour that you have engendered in our schools." First, the meeting of the Burnham maintaining a summer-long vigil pay negotiating committee represents almost certainly the last tion and Science – seem unlikely to

The second positive factor is that today's meeting will see some fresh faces and fresh thinking on the employers' side. As a result of the May county council elections, Labour has ousted the Conservatives from control of the Burnham management panel, which now comprises: ment to the highly damaging teach-Labour 13 seats; Conservatives ers pay dispute." eight, SDP-Liberal Alliance and In-

without influence in the higher reaches of the NUT, the dominant

cent days in the search for a way

Significantly, however, Mr Giles Radice, Labour's education spokes-man, yesterday released the text of a letter he had sent to Mrs Nicky Harrison, who is tipped to become the Labour leader of the employers side. He said: "The voters in the county elections in May clearly sig-nalled that they want a quick settle-

So there is pressure for a settleependents two each. ment and there are management.
The Labour Party machine (not negotiators apparently ready to dig deeper into their pockets in order to achieve it.

Ford settles part of copyright dispute

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

court injunction and in future would not produce complete panels, to infringe Ford's copyright in respect of these parts for future models. The companies had also agreed not

part-panels to fit Ford cars.

Ford said the two companies had asked not to be named but had agreed to pay a sum by way of costs and damages.

The group's legal action against the other body panel producers is scheduled to be heard on November 18. It is now likely there will be talks aimed at settling the outstanding claims before then.

FORD has reached an out-of-court. Ford has meanwhile had several settlement with two of the 12 car meetings with the Department of body panel manufacturers which it Trade and Industry and the Office claims are infringing its copyrights. of Fair Trading. This follows a mon-The group said yesterday that the opolies and Mergers Commission two companies had agreed to a report which suggested that Ford against the public interest by refusbumpers, radiator grilles, fuel tanks ing to grant licences for the produc-and badges based on Ford designs.

The commission concluded that, in essence, without a change in the spect of these parts for future models.

The agreement does not prevent the companies from continuing to manufacture their own corrosion part-panels to fit Ford cars.

In essence, without a change in the laws on copyrights, no powers existed to compel Ford to grant licences and preserve competition. It recommended that protection under the copyright laws should be limited to five years instead of the control five years instead of the current 15

> Ford has argued during its meetings with the department and the Office of Fair Trading that five years would not allow enough time for manufacturers to recoup their initial investment in the original design and development of a new car and also to earn a fair reward for

Austin Rover to sell cheaper Maestro model By Our Motor industry

AUSTIN ROVER, the BL volume cars subsidiary, hopes to lift sales of its Maestro hatchback with a budget-priced model, the City, to be introduced on August 1 - just in time for the peak selling period for new cars in the UK.

The Maestro City will be £4,855, or £439 cheaper than the current bottom-of-the-range version, Maestro 1.3, which costs £5,294. the The price is highly competitive

with the main rivals, Ford's three-

door Escort 1.3 at £5,123 and the three-door Vauxhall Astra 1.3 at £4,874. However, there are cheaper Escorts and Astras available. When the Maestro was launched in March 1983, the company hoped it would take over 5 per cent of total

Thatcher describes Milan summit as 'temporary setback'

BY IVOR OWEN

BRITAIN'S failure to obtain majority support at the EEC summit in Milan for its attempt to lead the way in giving the Common Market new momentum was described as a "temporary setback" by Mrs Mar-garet Thatcher, the Prime Minister, in the House of Commons yester-

paired" at the next meeting of EEC heads of government and heads of state in Laxembourg in December. Mrs Thatcher went to considerable lengths to insist that the experience of being voted down in Milan had not caused her to lose her temper. She implied that any impression that she had been engaged in something approaching a verbal brawl with her EEC colleagues was entirely erroneous.

Her main purpose, she explained, had been to secure support for a programme of action which would have enabled the EEC to surge shead, particulary through the com pletion of the internal market, without having to consider amending the Treaty of Rome.

More in sorrow than in anger, the Prime Minister lamented: "I think sometimes a lot of rhetoric spoken about Europe gets in the way of practical proposals."

Mr Neil Kinnock, the Labour leader, branded the Prime Minister's performance in Milan a "clum-sy faihure." He said it was absolute-ly plain that after "six years of bluster" she had not succeeded in getting one tangible advantage for

He suggested that Mrs Thatcher's dismissive attitude to the intergovernmental conference - which is to consider some of the key issues she believed could have been resolved at Milan by acceptance of the British initiative - could lead to more difficulties.

Mr Kinnock called on the Prime Minister to attend the conference herself. He warned of the danger were not in Britain's interests and did not require amendment of the Treaty of Rome might be adopted by a further exercise in majority voting.

His insistence that it was essential that the Prime Minister should attend the inter-governmental conference brought no immediate re-sponse, although the Prime Minister admitted that she was no match for Mr Kinnock in the "emission of hot air."

Later Mrs Thatcher emphasised that it was not a conference of heads of government and an rope." nounced that Sir Geoffrey Howe, the Foreign and Commonwealth Secretary, would represent Britain.

She emphasised that decisions taken at the inter-governmental Maestros were registered for a 4.63 per cent share. This year, the car has had to compete with Austin Rover's new booted Montego and its market share has fallen to 2.9 conference would have to be reported to the Luxembourg meeting of insisted: "It is in Britain's interest to be in the Common Market, to secure the full working of the treaty."

To later questions, Mrs Thatcher insisted: "It is in Britain's interest to be in the Common Market, to secure the full working of the treaty."

The EEC, she added, "enhances forward if given unanimous contained to the Luxembourg meeting of insisted: "It is in Britain's interest to be in the Common Market, to secure the full working of the treaty."



Mrs Thatcher: 'rhetoric about Europe gets in way of practical proposals

Mr Roy Jenkins, former president of the EEC Commission and a Social Democrat MP, asked why the Prime Minister had been so upset at the Franco-German takcover of many of the ideas advanced by the British Government.

Amid laughter, he said: "If one wants to make progress, it is highly desirable that other parties should put forward one's own ideas believing them to be theirs."

Clearly not amused, Mrs Thatcher retorted: "It seems strange, if they are already on the table, to duplicate them."

In sharp contrast to their vocifer ous protests 24 hours earlier about the outcome of the Milan summit, most of the anti-Marketeers on the Conservative backbenches adopted a restrained manner when questioning the Prime Minister.

Even Mr Teddy Taylor, a strong critic of the EEC, seemed less pungent than usual when he inquired if there was any likelihood of Britain being forced to apply VAT to a new range of commodities, including food, electricity and gas, through a further instalment in harmonising Mrs Thatcher assured him, "I do

not believe that the harmonisation of taxation is necessary for the completion of the internal market. We, therefore, shall resist it with all the power and strength at our com-As for political union, she under-

lined her preference for what was operation and went on to declare, "I

She added: "So, I believe, are the overwhelming majority of our partners in Europe, and there is no question of it."

Halley's comet probe launched

BY MICHAEL DONNE AEROSPACE CORRESPONDENT

THE £40m GIOTTO spacecraft, built by British Aerospace and a panies, was successfully launched yesterday on its long flight round the sun to intercept Halley's comet as it approaches the earth for the first time in 76 years.

The spacecraft was initially put into a "parking orbit" round the earth, after being launched from the French space base in Kourou, French Guiana, by an Ariane rocket

English astronomer Edmond Hal. itself destroyed by bombardment ley, only swings past the earth every 76 years. If the present attempt to intercept it fails, no other opportunity will occur until the year 2061.

No hadron activities a second and the industrial of the indust

No back-up satellite is available.

The next critical stage comes this ments from a large number of Euroevening when the spacecraft is due pean universities and other acato be fired into its final path away demic institutions to study the from earth and round the sun on its gases, dust and plasma in the com-long 450m miles journey to inter-et's nucleus. This information will long 450m miles journey to intercept Halley's comet next March 13. be sent back to earth for three to four hours before the spacecraft is itself destroyed by beginning the spacecraft is

trial team involved had "performed magnificently against a most de-The spacecraft is carrying experi-manding specification."

This announcement appears as a matter of record only.

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UK NEWS

Global loss of £85m for **UK** insurers

BY ERIC SHORT

THE FULL extent of the recession in trading conditions in the UK insurance market was highlighted yesterday when the British Insurance Association (BIA) disclosed that UK insurance companies last year recorded a trading loss of £85m on worldwide general insurance business. It was their first loss for decades.

Underwriting losses - the excess of claim payments and expenses over premiums - in the UK doubled in 1984 from £336m to £686m some 15 per cent of premiums re-ceived. And 1983 was considered to be a very poor year for insurance, in the UK.

Commentators have tended to highlight the deep recession in the U.S. insurance market when discussing last year's results for UK composite insurance companies. The BIA indeed confirms this picture with U.S. underwriting losses up from £491m to £716m - reflecting the weakness of sterling at the end of last year as much as the con-tinued decline in trading conditions.

In contrast, the decline in the UK factor - together with a jump the has tended to receive less attention. size of claims made. Nevertheless, the U.S. and UK re-Nevertheless, the U.S. and UK results, taken together, accounted for man of BIA and a former chief exmuch of the 60 per cent rise in

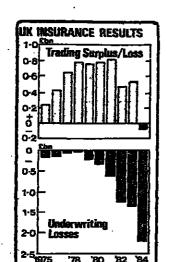
In previous years, the investment income generated by the premium cash flow and the strong underlying reserves of insurance companies has been more than sufficient to cover the rising underwriting losses. But although investment income rose by 12 per cent in sterling terms from £1.88bn to £2.11bn in 1984, it failed to cover the higher

Thus, for the first time since the BIA started to maintain records of its member companies, the industry produced an overall trading loss. The BIA put forward several factors contributing to the poor re-

 Widespread storm damage in the early months of the year cost. £175m in exceptional weather

• The dry summer exacerbated the number of subsidence claims which rose to £140m – a higher figure in real terms than payments made following the dry summer of 1976.

The social problem of rising numbers of thefts resulted in claims from private dwelling rising 17.5 per cent to a record £201m. • Fire damage in 1984 totalled £554m - the second highest figure



● A strong rise of around 7½ per cent in claims on the motor insurance account - a rise that the industry cannot attribute to any single

ecutive of Phoenix Assurance, pur workiwide underwriting losses last his finger on the root cause of the year from £1.35bn to £2.25n. his finger on the root cause of the recession when he discussed the inrecession when he discussed the inadequate premiums rates charged by companies on almost all classe of business in the UK. This is also the primary cause of the U.S. reces

> The net effect was that under writing losses on UK fire and acci dent insurance business doubled in 1984 from £218m to £463m - some 14 per cent of premiums, while ses on the motor account climbed from £118m to £222m - 12 per

Mr Bishop was not optimistic about this year's results from UK companies. The year had got off to a bad start with repeated severe ther losses in the UK - estimated at around £145m - from the big freeze-up in January - February coupled with similar adverse weath er losses in the rest of Europe and

However, he saw some favou-rable trends emerging in the industry. Premium rates were being substantially increased in both the U.S. and UK without any significant loss of business. There was a better bal-ance between the demand for insuravailable, as certain insurers pulled out of the market.

Lex, Page 14

Gold and currency reserves up \$340m

BY PHILIP STEPHENS

BRITAIN's official reserves rose by \$340m in June as the Bank of En-gland took advantage of sterling's strength to buy dollars on foreignexchange markets.

The Treasury said yesterday that after taking account of overseas borrowing and repayments, the underlying increase in the Bank's gold and foreign currency holdings was

Reserves stood at \$14,316m at the end of the month. They have been rising steadily since the pound's re-covery in February, although the annual revaluation of the Bank's gold and foreign-currency holdings in March gives the impression of a fall since the beginning of the year.

The authorities do not comment on the level of intervention, and the figure for the underlying movement in the reserves may include other transactions as well as direct inter-

It is thought, however, that the Bank has now more than recouper all of the foreign currency it sold during the concerted intervention against the dollar earlier in the ar, and has made a useful profit

The perceived success of that in tervention has also prompted a shift in the Treasury's attitude. It now appears concerned to arrest the steady decline in the reserves since 1979 to put it in a stronger po-sition should further intervention

• Capital issues on the UK equity market totalled 5516m in June, down from £664m the previous month, according to the latest sta-tistics from the Bank of England. But the value of new issues is still running well ahead of the level in 1984. For the first half of this year they have totalled £3.7bn, more than double the amount in the same

Rescue effort for Lloyd's syndicate fails

By John Moore

A RESCUE plan arranged by Willis Faber, the insurance broker, to help underwriting members of Lloyd's facing a £20m loss foundered yes-terday. Only 27 members out of 243 affected by the losses had indicated that they would accept the offer,

which closed yesterday.
While Willis Faber thought that the level of acceptances might rise, Miss Heather Thomas, one of the executives looking after the affairs of the underwriting members, said last night. The level of support is

So far 168 underwriting members have instructed lawyers Clifford-Turner to consider the implications of the offer and to mount any neces sary legal action. The offer needed

100 per cent acceptance. Problems concern Lloyd's insur-ance syndicate number 895, formed of the members including tennis personalities Mark Cox and Virgin-Wade. Underwriting members have been facing losses of up to

Consultants sought on

period of 1984.

tunnel project

CONSULTANTS are being sought by the Government to help the joint working party of British and French civil servants which will be required late this year or early in 1988 to award a mandate for the building of a fixed link across the

Firm bids for the mandate, which must be submitted by October 31, will be subject to detailed scrutiny on a range of financial and techni-

The Government also intends to appoint a merchant bank to advise it on the viability of the bidders' financing plans. Applications for this role are invited by July 10.

Plans for a Channel tunnel were presented yesterday by the Chan-nel Tunnel Group (CIG), the UK joint venture between National Westminster Bank and five of the biggest construction companies in Britain. It was accompanied for the first time publicly by executives of the French joint venture which now comprises the other half of the Anelo-French tunnel consortium

COAL BOARD TO RECONSIDER DISMISSALS OF 203 SCOTTISH MINERS

Productivity link likely for pit pay

THE NATIONAL Coal Board (NCB) is likely to make increases based on productivity the major part of its pay offer to the National Union of Mineworkers (NUM) later this year – marking a sharp broak with tradition in the industry.

It will, however, reconsider the position of the 203 mineworkers sacked in Scotland, who make up almost one third of the 622 sacked throughout the UK for offences committed during the year-long pit

Mr John Loudon, the new Scottish area director, has sent a dossier on the sacked Scottish miners to the National Coal Board's headquarters in London and is to hold a formal meeting with Mr Mick McGahey, the Scottish area president, within the next two weeks. There are hopes within the Scottish NUM leadership - which look to be well founded - that this re-

In discussions at senior coal board levels on pay, the line emerg-ing is that a nil basic pay increase would be impossible to defend - but that it should be considerably less significant in a final pay package than productivity rises.

view may result in some reinstate-

No final position has yet been did when chairman of the British

taken. But it seems probable that Mr Ian MacGregor, the board chair-man, will tread the same path as he

Mr Neil Kinnock (right), leader held by the board." Common sense to prevent further defents was vital. The Labour leader also of the Labour Party, yesterday described talk by Mr Arthur Scargill of further industrial ac-tion in the coal industry as "fanrejected Mr Scargill's demand that the party should commit itself to freeing all miners jailed tasy." Mr Kinnock made no reference to Mr Scargill's call for a for offences connected with the future Labour government to sack all National Coal Board pit strike. Mr Kinnock's statement was seen as an attempt to limit any damage caused by Mr Scarand area managers involved in gill to the Labour candidate's prospects in tomorrow's by-elecstrike. Miners, he said, had to tion in Wales. live with "the extra power now

Steel Corporation in downgrading of locally bargained productivity

Both these issues were the subject of debate at the NUM's conference in Sheffield yesterday – a dethe 622 sacked men.
The Nottinghamshire delegation,

area motion calling for a special "consult the membership in nation-delegate conference in October to decide what action will be taken to "The strike, which ended in March," bring about their reinstatement," was the object of vituperation.

The motion also drew a distinction between those miners in jail ship."

and those at liberty, thus limiting national wage settlements in favour its application to those not convicted of serious crimes - although NUM policy remains one of seeking the release and reinstatement of all

The rifts over the conduct of the bate which ended in anger and strike surfaced when the conferemotion over the "victimisation" of ence debated a motion from Leicesworked during most of the strike which alone voted against a Kent that the union's national executive had been called without a national

Mr Arthur Scargill, president of the NUM, made clear that, in accepting the Kent motion, he anticipated no automatic industrial action in October.

the past 12 months reveals quite conclusively that the strike did not receive the support of the member



many delegates, Mr Hughes called back: "I will give you a definition of a scab: it is part of the healing of the wound. If I am part of that healing I am proud."

Mr Scargill interjected from the chair: "We are not festering today." Mr George Bolton, the Scottish area vice-president, won applause with a speech which sought to stress the importance of the ballot vote to the NUM and thus to recon-

He argued: "I don't accept that because the Tories are for something I am automatically against it. The ballot vote was something our forefathers fought for and won."

cile both sides.

Government drops wave power from energy options list

Mr David Hunt, the energy minto support the winners in nonconventional energy options. "We are concentrating our resources on the most promising options."

This year, the Government plans various EEC-backed programmes ernment's energy efficiency office

Mr Hunt's statement came in response to a report from the Government's Advisory Council on Research and Development, which was asked earlier this year to carry out a review of Britain's efforts inthe renewables field. It made six

recommendations:

THE GOVERNMENT is to support Biofuels. The council says there is research into windmilis, solar much potential in using farm, inheated homes and energy from dustrial and domestic wastes as a waste, but will ditch its £17m pro- fuel source. It also wants more ingrazzine of research into wave pow-vestigation into the use of wood as a

Geothermal squifers. The atister responsible for renewable entempt to locate hot spots in sodiergy sources, said yesterday that mentary basins - has not been sucthe Government's policy would be cessful and the council recommended rejection of a proposal to drill boreholes for a small heating scheme in Southampton

Geothermal hot dry rocks. The technology of boring deep holes and to spend a total of £14m on research into renewables, or about £20m if to circulate water and generate steam. The council says a research and work carried out by the Gov- programme in Cornwall should conunue, but that international collaboration should be sought.

Wind power. The council endorsed the Government's support for a horizontal-axis wandmill on the Isle of Orkney in Scotland and a verticle-axis machine at Carmarthen in Wales. This is the area of highest Government spending.

Wave power. After ten years and Passive solar energy, which in-thinks Britain has shown that this volves modifying building forms technology should be placed in the and fabrics to permit the tapping of "reject" category. The Government solar energy, "has considerable pot-should, it said, continue to keep an ential to reduce heating "and light-ing costs in buildings. It is economiof those, in Norway, involves a UK



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SLORÉAL

The Annual General Meeting of Shareholders was held on 12th June 1985 under the Chairmanship of Mr. Charles ZVIAK, Chairman and Chief Executive Officer.

The accounts for the 1984 financial year were approved at the meeting. They show:

 Consolidated Sales of 15804 million Francs;

An operating profit of 1 657 million Francs:

 A consolidated net profit (excluding capital surpluses) of 729 million Francs. Net profit per share came to 154.32 Francs.

Mr. ZVIAK confirmed that the Group would continue to base its expansion strategy on: 1) Innovation: L'OREAL has made the world's largest budgetary commitment in the field of cosmetics research: 398 million Francs in 1984. equivalent to more than 3% of cosmetics sales; 2) Internationalization: sales by the L'OREAL Group outside France in 1984 reached 60% of consolidated sales. Furthermore, the share of the cosmetics sector alone in sales outside France now

exceeds 66 %. On a proposal by the Board, the distribution of a net dividend of 28.15 Francs per share was passed at the General Meeting and will be paid as from 28th June 1985. At that meeting, Mr. Roger GINOCCHIO was appointed a Director and it was decided to appoint a second Alternate Auditor: the Société Pierre FEUILLET S.A. represented by Mr. Olivier THIBAULT. The Annual Report of L'OREAL for the financial year 1984 is available upon written request to:

L'OREAL

Mr. François Archambault Financial Information Officer 41, rue Martre 92117 Clichy — France

Building society receipts in June fall to £350m

tutions which lend money for house el. The society raised £61m from purchase - suffered a sharp reduc- wholesale sources.

net receipts dropped to £350m in June – far lower than had been aned. This is the lowest level since March, when societies had to the level which societies attracted

savings to continuing competition sented societies with the options of from the banks, combined with the either concentrating on wholesale withdrawal of funds to finance the funding or meeting retail competi-second instalment of the British tion "head-on" regardless of the cost Telecom share purchases and the Abbey Life flotation.

Given that the savings level is traditionally low in the summer months, when investors tend to withdraw funds for their holidays withdraw funds for their holidays advocating a return to the interest and buy cars, there is little prospect rate cartel, he would like to see of any immediate improvement. Societies estimate that they need an average inflow of £800m to meet mortgage demand, which remains strong at about £2.3bn a month.

Societies are making greater use of wholesale funding and dipping into their own liquid assets to meet the demand for loans. An indication with the publication yesterday of and raise funds from alternative the first half-year results of Nationwide, Britain's third largest build-

appointed chief general manager, term. disclosed that the society's liquidity ratio had dropped by 3.6 per cent the major societies to hold out since the end of last year to 17.8 per against investment-rate leap-frog-cent, although he pointed out that

BUILDING societies - savings insti- this was still a "prudently high" lev-

purchase – suffered a snarp rema-tion in the inflow of funds from sav-ers last month, wiping out any hopes of an early reduction in mort-gage interest rates.

Design for the inflow of funds from sav-ers last month, wiping out any hopes of an early reduction in mort-gage interest rates.

President for the inflow of funds from sav-ers last month, wiping out any hopes of an early reduction in mort-gage interest rates.

Nationwide's net receipts at £493m wholesale sources.

Mr Melville-Ross pointed out were considerably less than in the same period last year, when they

Nationwide's chief executive atraise their rates, and almost half tributed the decline in net receipts to the "new energetic competition ast month.

from banks in the retail market.

Societies attribute the slump in The actions of banks, he said, preeither concentrating on wholesale to the borrower. In the event, societies had chosen a middle course.

Mr Melville-Ross reiterated his commitment to more orderly marketing. He indicated that, while not

Greater self-discipline, he argued, could well have produced the same inflow of funds at a cheaper cost.

He said that passing on these increased costs to the borrowers in higher mortgage rates was not an option at current interest rate levof the extent to which societies are els. For the time being, societies running down their liquidity came were able to dip into their liquidity sources. But, if the current cost of retail funds continued for any length of time, this would affect so-Mr Tim Melville-Ross, the newly cieties' profitability in the longer

The Nationwide was the last of

MPs' bus reform plans rejected

PLANS by the all-party House of Commons transport committee for reform of the bus industry – which would have provided for competition within a monopoly system -have been rejected by the Govern-

Instead, Mr Nicholas Ridley, the Transport Secretary, is to press ahead with his own proposals for open competition along defined bus

The official proposals were con-tained in a White Paper (policy statement) published in February and the resulting Transport Bill is due to become law before the end of

MPs had called on the Govern ment to change its plans for the deregulation of the bus industry outside London by requiring competi-tive tendering to cover all services within a district, including those making losses.

The idea was that existing networks would be put out to tender to single franchisees. Monopolies would be maintained, while operators would have to uphold standards or face loss of their business at the next licensing round.

The Government does not believe that the element of competition in the proposal is adequate. It says that the committee's alternative would be more restrictive than the present system, since there would be no opportunity for an operator to seek to introduce new competing services during the duration of the

There would, in addition, be inufficient incentives to operators to innovate, the Government says. "A heavy load would be placed on local authorities to specify services and fares, remote from the market test."

Economic tipsters take a fall at the forecasting hurdles

BY MAX WILKINSON AND JOHN CASSIDY

LIKE THE unfortunate weather forecasters, those who set out to predict the course of the British economy are equipped with large computers, huge amounts of data and a punter's instinct. And they also get it wrong.

Rut at least the weather forecasters do not have to make hasty adjustments to their equations to cope with a strike among the thunder gods or a cartel of the four winds.

In forecasting terms, that was roughly the problem faced by the institutes and stockbrokers who set out to predict what would happen to the British economy last year.

They would need to be psychologists and fortune-tellers as well as econometricians to allow for all the effects of the the year-long miners' strike which ended in March. In the event, the strike reduced output growth by a little over 1 per cent in 1984 compared with 1985, with major effects on the current account of the balance of payments and public sector borrowing.

Most forecasters did not attemp to predict the date at which the strike would end. They simply made assumptions which were fed into their computers. For this reason, any assessment of their accuracy is extremely difficult. Moreover, it is obvious that forecasts made before the strike started are under a severe handicap compared

Like the weather forecasters the economic modellers do expect to influence people's behaviour, so it is only fair that they should be sub- forts of institutions using full-scale tion and exports. jected to the test of hindsight.

The table below is based on the predictions of 22 organisations whose forecasts for 1984 were published in the FT on June 26 last year. We chose these rather late forecasts on the grounds that most of the pundits would by then have at least a sporting chance of assess-

ing the progress of the miners'

Treasury and the Confederation of as well as the Goliaths. British Industry (CBI), the employers' body whose latest published forecasts were in March, did not allow for the effects of the strike. This explains their relatively poor showing. They are included merely for interest. The Treasury, inci-dentally, would be close to the bull's eye on output as well as inflation if

the target is moved a few paces to allow for the strike. The method used was to compute the percentage error of each fore-cast compared with the outturn as set out in official figures in the mid-

dle of the month. We excluded variables such as the current account, which were enormously distorted For a final score we took a simple

average of all the errors. A different selection of variables or a different scoring system could make a huge difference to the final scores, so we put them in alphabetical order rather too seriously, especially since a simer than pretending to produce a liar exercise for other years would

The arbitrary nature of the scoring can be seen by comparing the performance of the National Institute of Economic and Social Research and the broker James Capel. Both had an average error of 13 per cent, but Capel's largest errors were in predicting consumer spending and exports, whereas the Institute made its biggest errors on GDP and

models of the economy were rewarded by better results than the City of London tipsters.

The London Business School, the National Institute and Oxford, the components of GDP which we which uses a version of the Treasury model all had low average errors. However, the creditable perfor-However, the creditable performances of broking firms such as Sisecond to last must be curbed; we

It must be said at once that the forecasters can often hit the mark

Most forecasters were over-optimistic about consumers' expendi-ture and pessimistic about exports. No doubt this is because forecasters are only human and, therefore, not immune from thinking the future will be like the immediate past.

Consumption has proved a formideble hurdle for forecasters since the 1970s, partly because of the way that changing inflation affects

Fortunately, private investment and better than expected export performance picked up some of the slack, although GDP forecasts were generally too high.

The over-prediction of consump-

tion may also suggest the sheep-like quality of some forecasters who seem to treat the Treasury as a bellwether and follow it with a few little twists of their own.

These figures should not be taken show very different results. The real moral is that economic forecasting the economy is difficult enough. Forecasting which forecaster will get it right is like looking for a 'cert' in the Grand Na-

So it is in the spirit of the turi that we declare this year's outright winner to be the London Business School's Centre for Economic Forecasting by a short head. It cleared the three important fences: GDP Nevertheless, with all its imper-inflation and unemployment, with fections, the scoring system does ease and lost only a few yards on suggest that on the whole the ef- the components of GDP-consump-

> The City university which also scored well, has to be declared a non-runner for the technical reason that it did not publish forecasts for

Any tendency for City pundits to mon and Coates and James Capel have our binoculars on them for shows that the Davids among the this year's race.

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recests for UK economy – how they fared Percentage error, from outturn 1984 1.5 Note: Outturn is real percentage increase year on year for GDP, consus ment is 4th quarter adult total in millions. Error: figures are percentage mer spending and exports; have

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Carpet makers use more woollen fibres

Financial Times Reporter

WOOL NOW accounts for almost two-thirds of the total fibre connption in woven carpets.

Strong demand for carpets last year and a switch out of man-made fibres saw wool's share of this sector rise from 57.7 per cent in 1983 to 64.6 per cent in 1984.

Wool also gained ground in tufted carpets, improving its share from 17.9 per cent to 18.5 per cent. Total wool consumption last year in the carpet market rose to 37.32 kg from the previous year's total of 34.49 kg.

The International Wool Secretariat said: The improvement is due to British companies trading up to combat the influx of imports, the



the six months (183 days) from 27th June 1985 to 27th December 1985 the Notes will carry an interest rate of \$1% per annum.

Akviengeseilschaft

THE ARTS

Television/ Christopher Dunkley

Disturbing lessons from the hijack

There were two long-running international stories in which television itself played a central rôle last week. One captured necessary because of tele-the attention of the world vision's speed of communica-whereas the other attracted a tion is not the same as saying small if enthusiastic audience that television is "to blame" to BBC2. For the part it played for the TWA hijack, or is necesto BBC2. For the part it played in the first story, television has already been widely criticised in the first story, television has already been widely criticised that coverage of the Arabs'—often for the wrong reasons, in my view. For the part it played in the second, television has received (and no doubt will receive) precious little of the credit it is owed. The first story was the seizing of 39 American policies of those who send the messages. was the seizing of 39 American hostages by Arab hijackers, and the second was the selection of the Cardiff Singer of the World. It is commonplace these days to condemn television for the way it features so centrally in incidents such as the hijack of the TWA jet. When the hijackers parade their prisoners in front of the world's cameras, it certainly seems clear they are relying on the power of tele-vision to carry their demands swiftly and dramatically to the people who matter most: the families of the victims and the politicians in the target country.

Thanks to satellite systems, television can now enable those living in Washington or London to observe events occurring in, say, Beirut, virtually instantly. In the world of international diplomacy, such imprecedented speed of communication can presumably be a major draw-back, People need time to think; and just as the movement towards computerised decision-making in the matter of nuclear war is so horrifying because it deprives us of the time for thought, so the intervention of television in terrorist affairs

And it is certainly true that no previous mass medium has been able to convey material of this

sort with such vividness and

could be disastrous.

For this reason alone, broadcasting organisations working from democratic countries should declare voluntarily that they will co-operate with govern-ments in delaying coverage when requested to do so. as long as they are persuaded of the gravity of the case.

Provided the mass media are numerous enough for there to be little chance of the govern-ment "nobbling" all the outnent inbooring an the out-lets, such an arrangement ought to work (as it already has occasionally in Britain between police and press, albeit in less extreme circumstances), so long as it is a truly voluntary arrangement.

But, in the end, television is captain, Mr John Testrake, only a machine, and suggesting said they had found Amal to that such arrangements may be sarily even at fault in the way

What are the motives of those who oppose the presence of television in these matters? It is hard to avoid the feeling that their real fear is that the terorists will turn out to have a case not for their terrorism.

be 'human beings, people with the same fears, hopes and dreams for their country as we from 24 countries.

have.'
"The hostages left Beirut clutching flowers distributed by the gunner guardian than "To the non-expert enthusiast, the standard of singing in the concerts broadcast Monday to the gunmen guarding them." Clearly, there is a touch of Stockholm Syndrome there (the captive coming to identify with enough to open your eyes and make you wonder whether the communications media of com-munist and terrorist organisations might not be the only ones suffering from tunnel vision.
You do not have to be a com-

the singers.

trasted vividly with the enthusiasm that greeted the Chinese bass, Yue Liu. While television certainly conveyed the power and quality of his voice, it scarcely hinted at his rare rapport with the audience, though it did reveal his charm. Nor could television really communicate to the viewer that

communicate to the viewer that touching and almost magical

atmosphere of camaraderie which is quite often achieved at

international occasions of this sort. The friendliness and end-

of-term atmosphere among the singers (not generally famed

for fellow-feeling) was both en dearing and infectious.

The pity of it is that although television—BBC Wales, to be

precise—was wholly responsible for the very existence of this

for the very existence of this event; although the event was a heartening example of the fellowship of nations which can be achieved via the arts; although it was peaceable. happy, delightfully friendly and a splendid example of human ability at its most sublime, only a tiny minority of violence will

a tiny minority of viewers will

even be aware that it took place. Yet, thanks to television,

everyone knows about the hi-

Television's news agenda is

selected, of course, on the basis

singing contests take preced-ence over human drama. But

perhaps our broadcasters might slip the success of a David Malis on to the very bottom of the news agenda from time to

munist or a Shi'ite to ask if America, with its history of saturation bombing of civilians in Laos and Cambodia, and of a case; not for their terrorism, civilian assasinations by the of course, but for the demands which they felt justified their terrorism. After all, what is to black, or to condemn anyone be feared from worldwide self-righteously as a "terrorist."

TV failed to convey, or even consider, the reasons for what President Reagan called 'ugly, vicious, evil terrorism'

There is a criticism to be made of the coverage of these events, but it is not that television aided and abetted terrorists. On the contrary, it is that television (like newspapers, but this is a column of television criticism) failed to convey, or even to consider, the reasons for what President Reagan called "ugly, vicious, evil terrorism." His words chimed oddly with three para-graphs which appeared in The Guardian's lead story reporting the freeing of the hostages on

The hostages said they had not been ill-treated despite the horror of the original hijacking. Some spoke of their ordeal as a learning experience which had taught them why their captors had been 'driven to desperate acts.' The tone of their remarks was strikingly sympathetic.
"Mr Couwell stressed that

exposure if it leads merely to You do not need to be an ex-worldwide condemnation? The treme liberal (someone who fear, surely, arises only at the thought of worldwide sym-argument) to ask if America's one-eyed policy in the Middle East might not be partly to blame for the whole ghastly mess in the first place. You do not have to condone terrorism in order to ask how Israel's 700 "detainees" differed in their moral position from Amal's 39

> It is in such maters as these that television can be faulted: in all the many programmes that I watched, such questions were never considered. Even in Monday's Panorama, after the hostages had been freed, what was still being asked over and over again was "Who

There was no doubt about the winner in the week's other in-ternational television event, the Cardiff Singer of the World
Competition. His identity —
David Malis of the U.S.—was
revealed to viewers on Sunday
at the end of the last of six
concerts which had brought an the hostages wanted 'justice extraordinary diversity of song and understanding,' not 'retaliation or revenge.' The TWA First organised in 1983, and now time.



Anthony Dowell and Jennifer Penney in the Royal Ballet's "Manon," being staged this week in the Big Top at Battersea Park, London

Grafters/Hampstead Theatre

Michael Coveney

Grafters are the opposite of skyvers, but they all come to the same end in Billy Hamon's of a car factory where six workers have been randomly consigned while the management awaits their resignations.

Ment awaits their resignations.

Mr Hamon, a bustling actor of
criminally angelic demeanour
who once "skyved" to good
effect himself in Barry
Reckord's play Skyrers, has
written from the experiences of
his father-in-law at the Rolls
Royce plant in Hillingdon.

The old boy here is Wally of what the broadcaster believes the viewer most wants to see. Only in totalitarian states do tractor production figures and scrubbing floors are all that

scrubbing noors are all that stand between a skilled worker and the dole queue. Wally has worked here for 46 years, with three to go. Young Roy has been here eight weeks, having looked for a job for three years. Jane Howell's production dutifully assembles the others: Roy and Nobby compare notes on girlfriends, the former (Greg Crutwell) teasing his over-weight, bespectacled sidekick school of Leopold Auer still to

Wally's trouble spot; yet another by the careless handling of a litle black kitten (animal liberators please note, it's a prop).

The floor manager (Roland Oliver) storms on and off, stopping only for one brief chinwag with Len about the old days, but although Mr Hamon is at home in his cockney idiom, there is little convincing sense of real life going on off the premises. By the end, the machinery creaks, and the greywalled set of Tony Burrough, with its lockers and pneumatic The old boy here is Wally (Richard Butler) who drifts on to report the death of his budgle and the state of his piles, All his life a grafter, he resents this fiddling limbo, the half-way house where menial tasks of painting walls and the state of Tony Burrough, walled set of that Jane Howell's production fails to exploit.

More Vivier/Almeida Festival

David Murray

Among the mini-festivals embedded in the continuing jamboree at the Almeida Theatre is Canada (this "Hommage" is ensemble would make its points sponsored by the Canadian High plainer. Certainly, Vivier's use Commission), but he had com-posed more than enough music the 1981 Samarkand was utterly to reward posthumous attention. different: the initial neo-

Monday's concert by the Lonquite different Viviers, an elegiac tribute by Gavin Bryars and a big chamber-cantata by Vivier's one-time teacher, Gilles

The Vivier works showed us a young composer not so much groping for a style as cultivat-ing distinct facets of what would surely have become one. would surely have become one. (Perhaps at the last it did: we may find out this weekend, when the Almeida does his ritual-opera Kopernikus). His 1975 Pièce for flute and piano was a rhapsodic "montage of intense moments" from his other scores, lyrical and wild. with rapturous flute curvettings and wry punctuation.

By contrast, the 1977 Pulau Bali, was a transparent exercise in additive rhythms and modul

tunes, rather in the spirit of

Messiaen. The instrumentation of Palcu "Hommage à Claude Vivier." Deuga is left free; Lontano Vivier's untimely death three realised it on piano (right hand years ago was mourned in only) and winds, but I suspect France as well as in his native that a more homogeneous Romantic piano gestures soon melt into a liquid impasto, dense, steady woodwind ripplings, penetrated occasionally by a rising horn-line or a

subaqueous explosion. The sound has an ancestor in Rayel's Mallarmé songs with easemble, but Vivier's construceasemole, but vivier's construc-tion is specifically modern— baleful, repetitive blocks with significant fractures.

Tremblay's visionary cantata

Deer conjures up a large space by energising extreme registers of pitch—soaring flute, percus-sion and piano high and low, and an eloquent bass clarinet whose treble squeals become part of the solo suprano voice (Pauline Vaillancourt, excellent).

mations, with an impact that goes beyond its ingenious devices. The Bryars elegy was modest, limpid, sweetly sad.

Rats in the Skull/Royal Court

Martin Hoyle

phobically absorbing and murderously intense arabesque and bone has returned to the Royal Court from a wellreceived stay in New York.

Michael Patrick De Valera Demon Bomber" Roche has signed a confession in Paddington Green nick. The British police, contemptuous of Paddy in general, call an Ulster colleague in to question the IRA suspect further. A sewn-up case goes terribly wrong; we see the interrogation intercut with subsequent inquiries into the Ulsterman's eruption of violence towards the suspect. The bomber goes free; a scandal must be hushed up.

The piece emerges as a confrontation between the divided Irishmen to which the British seem an increasing irrelevance. Brian Cox is the RUC Detective, and his soaring monologues of sardonic mockery - of the enemy, of himself, of the stereotypes he is coming, fatally, to doubt-form the play's core of biting humour.

The rat in the skull is doubt,

Ron Hutchinson's claustro- after all be worthwhile. Mr Cox's beefy attack as his bitter-ness rises is totally engrossing. His accent may be tray the odd him of Scots or Geordie—not inappropriate for a descendant of James I's settlers-but the tough, incisive and relentless performance leaves nothing to be desired. Colum Convey's prisoner, his race occasionally subsiding into silliness, and the cockney police contingent (Philip Jackson, Gerard Horan), angrily regretting the days when "bombs was what wogs threw at each other." provide good if necessarily

shadowed support.

In Max Stafford-Clarke's production, the bare suggestion of the police charge-room in Peter Hartwell's set finally reveals the green hills of Ulster; nd what looked like the cross-bars of a prison window emerges as the sights of a rifle. Peace depends, we are told, on who runs out of hate first; and there is the faintest glimmer of hope in the Detective's almost sacrificial bandonment of his career. Inas tour de force by Mr Cox, the play never relaxes the tension during its single 100-minute ct.

Theatre in New York

Frank Lipsius

The over-civilised characters with a combination of threats, psychology.

f Terrence McNally's The deprivation and horror stories Pretentious and biting arguof Terrence McNally's The deprivation and horror stories Lisbon Traviata and the enfants sauvages of Lyle Kessler's Their lives are interrupted The Lisbon Traviata hilarious sonvoges of Lyle Kessler's Their lives are interrupted to sudden violence. Whether a convenient means to end the plays or a message for the times, the shocking endings are all these two refreshingly disparate off Broadway successes the shocking endings are about civilising them. A potentially hackneyed theme is sounds like a scratch across a treatment of Broadway successes. Their lives are interrupted The Lisbon Travata nitrations and example and example and example and example and example and example and put-downs sounds like a scratch across a treatment of the contraction of

have in common.

The three-character Orphans at the Westside Arts is almost an exercise in animal training, an exercise in animal training, and make the westside Arts is almost his oppressive older sibling.

John Mahoney rounds out the echoes his heroine's voice, especially under Gary Sinise's trio as a tough but tender vich linger's production at the figures banging into walls, pistol's to tame his young the tourner of the city with the statistics of the city with the content of the city with the hyperkinetic direction, with the tim who has the hardware (a figures banging into walls, sitting down by jumping over charges when necessary but the backs of sofas, and crawling along the floor like predators on the prowl. A graphic argument for social workers, the play presents teenage boys forced to live alone together; the older one supports them by stealing and keeps his younger brother cooped up in the house time who has the hardware (a figures banging into walls, sitting down by jumping over charges when necessary but toney gay life of the city, with toney faund fishing broken biscuits out of a Sainsbury's plastic bag.

In the darks of sofas, and crawling in the missage salong with John (Steven Culp) makes a would-be gate of the city with tone

Theatre

(3793055).

more's brilliant direction of back-

(836 8888).

Bubbles," after a Beverley Sills aria, typifies the mean but funny carping of the characters throughout act one.

Though the play makes what should be a brilliant switch in having the first act's pursued turn into the second act's pur suer, the play in fact gradually dissipates in nagging irony until its operatic ending. It is a loss not having Seth Allen's ageing and loud devotion to Callas in the second act, except for peri-odic light-hearted messages on a telephone answering machine.

Milstein/Festival Hall

Since Heifetz retired, Nathan sense, a very "Russian" broken line through the Milstein has been the only pupil violinist: the playing has a Siciliano and finale.

of the legendary St Petersburg restraint and classical poise, and His Brahms D minor sonata, a sense of inward communing, that sets it apart from the world of Elman. Zimbalist, Heifetz or (at one further remove) Ricci and Oistrakh. It was a characteristic constitution of the control of the contro weight, bespectacled sidekick (Perry Benson) about "water sports"; the James Dean idolater, Steve (David Hayman), arrives late having had trouble getting his jeans on; most interestingly, there is Tim Roth's introverted Peter who sits lugubriously black-suited like the Hamlet of Barking (Perry Benson) about "water sports"; the James Dean do like the Hamlet of Barking (Perry Benson) about "water sports"; the James Dean do like the Hamlet of Barking (Perry Benson) about "water sports"; the James Dean do like the Hamlet of Barking (Perry Benson) about "water sports"; the James Dean do like the Hamlet of Barking (Perry Benson) about "water sports"; the James Dean do like the Hamlet of Barking (Perry Benson) about "water sports"; the James Dean do like the Hamlet of Barking (Perry Benson) about "water sports"; the James Dean do like the Hamlet of Barking (Perry Benson) about "water sports"; the James Dean do like the Hamlet of Barking (Perry Benson) about "water sports"; the James Dean do like the Hamlet of Barking (Perry Benson) about "water sports"; the James Dean do like the Hamlet of Barking (Perry Benson) about "water sports"; the James Dean do like the Hamlet of Barking (Perry Benson) about "water sports"; the James Dean do like the Hamlet of Barking (Perry Benson) appear regularly in public, that sets it apart from the world that sets it apart from the world of Elman, Zimbalist, Heifetz or (at one further remove) Ricci and Oistrakh. It was a character the whole performance on Sitil to the whole performance or contained no gimmicks, no gi

Dominic Gill

His Brahms D minor sonata, accompanied deftly and atten-Creek muttering about buttons and fishing broken hiscuits out with remarkably few lapses, at darkly-burnished indulgence). Milstein's Bach playing has tion and glitter that Salvatore become freer and more impro-visatory over the years. The own arrangement of Chopin's C visatory over the years. The early Bach recordings are exceptionally correct, almost severe. But here he opened the G minor solo sonata with an adagio of delicate, tentative musing—as if he were discovering the shape of the music for the first time linking it gently to the succeeding fugue, and thence following a single un-

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Arts Guide

LONDON

Wasta (Lyric): Deserved transfer to Shaftasbury Avenue for the RSC's fine Harley Granville play about a politician ruined by sex scandal. Daniel Massey and Judi Dench head John Barton's production. (437 3836).

(437 3686).
reaking the Silence (Mermaid): Another RSC transfer, of Stephen Polizkoff's account of his family's emi-

gration from post-Revolutionary Russia, Alan Howard succeeding

Daniel Massey alongside Jenny Agutter Ingeniously set in an Impe-

rial railway carriage. (238 5568).

The Mysteries (Lyceum): The theatre of Henry Irving and Joe Loss restored for theatrical performance after 49 years. Bill Bryden's NT production in these pears is not to be

duction in three parts is not to be

missed, one of the great events of recent years. All three shows played

Guys and Dolls (Prince of Wales): The 1982 National Theatre production has arrived in the West End, if any-

thing improved by the new casting of Luin as Miss Adelaide and the

notably well sung black Sky Master-

son of Clarke Peters. Richard Eyre's production and John Gunter's affectionately levish designs complement this most joyful and literate of musicals, a fitting tribute to the re-

cently deceased co-librettist Abe Burrows (930 8681).

Noises Off (Savoy): The funniest play for years in London, now with an

rdays for this limited run.

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

translation by Adrian Mitchell. (928 2252). Barnum (Victoria Palace): Michael

(836 8888).
Starlight Express (Apollo Victoria):
Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 8184) No child is known to have asked for his money back. (834 8184).

On Your Toes (Palace): Rodgers and Hart's 1936 musical is a genuine tonic. American jezz dance collides with the Ballets Russes. Gems include There's a Small Hotel, Glad to be Unheppy and the Balanchine ballet for Slaughter on Tenth Avenue. (437 6334). cards 8284735). Jumpers (Aldwych): Confident almost sober revival of Tom Stoppard's glit-tering comedy of love, murder and linguistic mayhem among the logi-cal positivists, with Paul Eddington

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. American Clare Leach is a real find as Peggy Sawyer, and Margaret Courtenay has a field day (836 8108). Me and My Girl (Adelphi): Sleek, efficient and enjoyable revival of Brit-

ain's biggest war-time musical hit with Robert Lindsay in the Lupino Lane role emerging as the best new musical star since Michael Crawford. (8367611). The Government Inspector (Olivier): Striking but unfunny revival with under-equipped TV comic Rik Mayall playing the poseur as a shricking nose-picker. Richard Eyre's production for the NT lacks either comic tension or true dellrium but, with John Gunter's imposing design of bureaucratic bumi, the show has a sort of monumental starkness as well as nightmarish tedium. New translation by Addian Mitchall

Crawford returns to London with his breathtaking performance as the circus impresario, adding one or two new tricks in a likeable meringue of a musical. (834 1317, credit

a more earth bound George Moore II than was Michael Hordern, Felicity Kendal delightful as his retired musical comedy wife. Peter Wood directs. (8366494, credit cards 379 6233).

Richard III (Barbican): Last year's Stratford-upon-Avon production with Antony Sher demonically exciting as Richard in the RSC revival by Bill Alexander. Plays in repertory with Roger Rees as Hamlet and Kenneth Branagh as Henry V. All worth seeing. (6288795, credit cards 6388891).

Pravda (Olivier): Entertaining epic new play by David Hare and How-ard Brenton for the National Theatre in which en unscrupulous South African magnate acquires Britain's

most prestigious newspaper. A Jon-sonian satire on the grand scale with an irresistible performance by Anthony Hopkins as the colonial who penetrates the Establishment while a nation dithers. (928 2252).

NEW YORK Harvey Fierstein's touching and funny recollections as a drag queen add up to the best histrionic Sarah Bernhardt role on Broadway today. (944 9450). La Cage aux Folles (Palace): With

some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to cap-ture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626). Cats (Winter Garden): Still a sellout.

Trevor Numr's production of T. S. Eliot's children's poetry set to tren-dy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262). 42nd Street (Majestic): An immodest celebration of the heyday of Broad-way in the '30s incorporates gems

way in the 30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropri-ately brash and leggy hoofing by a large chorus line. (977 9020). ngirls (Imperial): Michael Bennett's latest musical has now be-come a stalwart Broadway presence despite the forced effort to recreate the career of a 1960s female pop

graph, 2 to Supremes, without the quality of their music. (239 6200). Brighton Beach Memoirs (46th St): The first instalment of Neil Simon's mix of memories and jokes focuses on a Depression-era Jewish house-hold where young Eugene falls awk-wardly in love with his cousin. (221 1211).

June 28-July 4

(221 1211).
A Chovus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as audi-tions rather than emotions.

(239 6200).

Sunday in the Park with George
(Booth): Inspired by the Seurat
painting, Stephen Sondheim fashions a musical with dots and dashes of song that end too soon but work well with Tony Straiges's pretty set and James Lapine's book which changes gears in the second act. (2396262).

WASHINGTON

Count of Monte Cristo (Eisenhower):
The second production of Peter Sellars' new American National Theatre company is the James O'Neill version of this swashbuckler. (254 3670).

Six Characters in Search of an Author (Goodman): Robert Brustein brings his acclaimed American Repertory Theatre to Chicago for this Piran-dello classic. Ends July 14 (443 3800).

Saleroom/Antony Thorncroft

Drawings in demand A rough sketch, in fact an oil modello, of the Deposition from The Suffolk dealer Maureen

Christie's yesterday in an wine glass of 1767 by Boilby, auction of Old Master drawings. the most collected glassmaker The price was way above the of the 18th century. This glass are rare.

per cent unsold, a figure largely price paid was around double accounted for by the failure of a the forecast.

while the Adoration of the in 1889—sold for £4.840. Dela-Shepherds by Il Baciccio also mosne the dealer, acquired yet did well at £25,920; it is an un-another Beilby decorated derecorded drawing for a major canter and stopper for £2.750 sltarpiece by the artist in the church of Santa Maria del Carmine at Fermo. Another Tiepolo head of a Venetian patrician realized £10.440 New musical

patrician realised £19.440. Old Master drawings are curmany were previously unon July 9, and run for five published. But there was also some demand for French artists, and two works by Moreau l'ainé of The Rak's Progress, is deshowing aristocrats at play, signed by cartoonist Gerald dated 1775 and in bodycolour, Scarfe and directed by Braham just beat their forecasts at Murray.

modello, of the Deposition from the Cross by the early 17th century Italian artist Palma Giovane sold for f43,200 at 11.0500 and 111.040 respectively.

The Suffolk dealer Maureen Thompson paid £11.550 at 11.550 at 11 \$12,000 top estimate, probably turned up recently at a because such modelli by Palma Sotheby's discovery day in are rare.

Guildford. It is decorated with The morning session of the 2 three masted sailing ship sale totalled £342,014, with 11 called The Providence. The

accounted for by the failure or a study of Jacob and Rachel at the well by Castiglione to find a buyer: it was bought in at Apprex while an 1875 Pellatt and Wood engraved presentants of the study of t Baskett and Day, the London tion claret jug, awarded for dealers, paid £37,800, again way skill at rifle shooting at Wimover forecast, for a head of a bledon—where rifle contests Venetian patrician by Tiepolo were held before £1840 Delay.

Alan Price's new musical rently a strong market, and Who's a Lucku Bon? will have these Italian works exceeded its world premiere at the Royal these Italian works exceeded its world premiere at the Royal their estimates mainly because Exchange Theatre, Manchester,

WORLD ECONOMIC INDICATORS every Monday in the Financial Times

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Wednesday July 3 1985

eigners were left in some doubt as to which of the three really

arguments against the Star Wars programme warrant no compromise in the Soviet posi-tion at the Geneva arms talks,

and none has been forthcoming.

But the sharpness of Mr

Gromyko's recent presentation of Soviet positions to the U.S. may stem from bitterness at the fact that, despite his career

long speciality in U.S. affairs, he leaves U.S. Soviet relations

just about as bad as when he took over the foreign ministry.

Mr Sherardnadze would not have the same emotional bag-

gage. He may have other interests, too. His few travels,

priorities away from East-West issues would also square with the call Mr Gorbachev has revived for the Soviet Union to make itself a model for the Third World.

autonomy for enterprises, better quality in manufactured

goods and less waste in raw materials, pay linked more to

results and so on. Most of these reforms have been tried before,

notably in the mid-1960s and late 1970s, but came to little.

Mr Gorbachev is no radical. He is not a market socialist, or

to have unquestioned authority.

Bitterness

Gorbachev's power play

BY unconventional, yet decisive means, Mr Mikhail Gorbachev foreign policy, as was made has consolidated his power this week. Defying recent practice, terday that he would be holdclear with the confirmation yesterday that he would be holding a summit meeting with
President Reagan in Geneva in
November. Thus, it seems
there will be no repeat of the
confusing troika — Brezhnev,
Podgorny, Kosygin — that ran
the Soviet Union for some years
after the ousting of Khrushchev,
Intil Brezhnev eventually the Soviet Party general secre-tary has decided not to take the post of president himself, but instead to elevate Mr Andrei Gromyko to that job. He has replaced the veteran foreign min-ister with Mr Eduard Shevard-nadze, a provincial party leader from Georgia, a man quite un-versed in diplomacy but known to be of the Gorbachev mould in demantic rolling Until Brezhnev eventually emerged as clear leader, for-

in domestic policy.

Less eye-catching to the outside world, but of more relevance to the protection of Mr Gorbachev's power base, was the dropping of his erstwhile chief rival. Mr Grigory Romanov, from the Politburo and the further rise of his key light the political arguments. Mr Yegor Ligachey

Wars programme warrant no lieutenant, Mr Yegor Ligachev as the effective number two in the Soviet leadership.
In 1977 Mr Leonid Brezhnev

started the practice of uniting started the practice of uniting the posts of general secretary and president in one man, himself, on the ground that this gave the party secretary more prestige in dealing with foreign heads of state. Mr Gorbachev repeated exactly the same argument last year when he proposed Mr Chernenko for the presidency. Now he has reversed himself to say that the allocation of posts should reflect the "major tasks" ahead, which he major tasks" ahead, which he then defined as improvements in the domestic economy.

New blood

What the pundits reckoned without was Mr Gorbachev's desire for a better division of labour at the top of the Krem-lin hierarchy, as well as throughout Soviet society. The new arrangement seems to leave Mr Gorbachev relatively free to press for sweeping changes in management and work practices in the Soviet economy. It gives Third World.

But at present, as Mr Gorbachev knows all too well, the Soviet Union, particularly its economy, is no model for anyone. He has already outlined the changes he wants—streamlining of central planning, more autonomy for enterprises Mr Gromyko, the Soviet Union's "grand old statesman," the grand old statesmanly job of meeting and greeting foreign dignitaries. At 76 later this month, Mr Gromyko will give up the daily chore of running Soviet foreign policy that he has had since 1957, but can still land the thickers. lend the weight of his diplomatic counsel in the Politburo. brings in needed new blood. Mr Shevardnadze is, like Mr Gorbachev, in his 50s. Though the has no more (but no less) a believer in freer prices or in the creation of even a tiny most of the younger generation private sector. It is because he of Soviet leaders, he can work way in, initially under the have failed before that he needs Gromyko tutelage.

This set-up in no way reduces The message from Moscow this Mr Gorbachev's role as the week is that he has it.

and the company - without some feeling of awe.

T IS difficult to approach Michelin — both the man

some feeling of awe.

The company is one of few in the world which has single-handedly transformed an industry by a revolutionary invention. In this instance, it was the radial tyre, introduced by Michelin in 1946 and now almost universally adopted on cars and trucks because of its superior handling qualities and durability.

As for the man, Francois Michelin, who at 59 still carries the modest title of "gerant" (manager), he is famous for his indifference to the worldly whirl. He would not allow General de Gaulle into his factories and he steers well clear of the crowd of civil servants, bankers and industrialists who consort to run France. His interview with the Financial Times last week at the group's headquarters in Clermont-Ferrand was the first he had given to any newspaper in six given to any newspaper in six

years.

But times are changing.

Michelin had the tyre industry
by the tail for nearly three
decades because of its development of the radial. Now its
rivals have caught up, and the
group is in a hard, global battle with U.S. and Japanese rivals. Perhaps le gerant has decided that Michelin needs more understanding from the media and the financial markets if it is to retain their support.
"We are becoming a normal

"We are becoming a normal company," is the way M Michelin explains it. "If I had revealed our position 10 years ago, it would have sounded spectacular. But we know it did not represent the future. We had no competition then. Now it exists. Imagine Napo-leon with tanks. Well, we had

tanks for a long time, and the opposition did not."

M Michelin, a tall, gaunt man who cuts a figure reminiscent of Jacques Tati, talks like that. He takes time to think, then speaks clearly and to the point, amplifying his ideas with simple, vivid images often delivered with a mischievous outside the socialist camp, have been largely to the Third World, while Mr Gromyko never set foot in Latin America (bar Cuba) or black Africa. Some shift in Soviet diplomatic grin on his cherubic face.
Question: "Is it true that you received subsidised interest rates from the French Govern-



ment on a recent loan?" Answer: "No. But we would like to be treated like the Soviet

Question: "Where do you look most for improvement in the near future, in product development or in manufacturing processes?"

Answer: "Which of your legs do you think is most impor-tant?"

M Michelin talked to the FT for several hours in a hotel meeting room. There was no question of our visiting the group's factories. Even so, the secrecy-conscious gerant sheep-lishly checked the next secretary tyres were made in North America. The company swallowed hard, and plunged in with investments of secretary tyres were made in North America. ishly checked the next room, apparently to make sure no one was eavesdropping. He was The group's total output quad-accompanied by the group's rupled in ten years, and for a finance director. M Behrouz while it looked like nothing Chahid-noural, the production director, M Jean Gorce and the research director, M Jean-Claude Gozard. They obviously work closely together, a small vast excess capacity. To make team managing in the dedicated, matters worse, the dollar soared unpretentious way of a deeply

interview with the Michelin

World tyre industry

A rare

Man...

Paul Betts and Ian Rodger report on the French company's new-found confidence



rooted provincial enterprise. Setting the tone, M Michelin drove his own plain saloon car

to the meeting.

But the well ordered calm of Michelin's life was badly disrupted in 1979 and the group has not yet totally recovered.
Having gradually assumed dominance in the European tyre markets in the 1950s and 1960s, Michelin set out in the 1970s to conquer North America. For a small French company that was about one-fifth the size of Goodyear, the U.S. market leader, this was an astonishingly ambitious thing to attempt.

But the U.S. tyre makers, in a classic abuse of market power, had been postponing the implications of radial technology. nology as long as possible. The problem with radials, from the manufacturer's point of view, is that they do not wear out as often as conventional tyres. which means fewer replacement sales. They are also more difficult to make, as became apparent when Firestone had to recall almost the entire production of its 500 model in 1978.

Michelin seized the opportunity, and started attacking the North American market in the late 1960s. But it soon-realised that General Motors, Ford and Chrysler would only put Michelins on their cars and give the company a vital hold on the "original equipment" market, if Michelin tyres were made in in with investments of over \$1bn to build eight plants in the U.S. and Canada.

The group's total output quadwhile it looked like nothing would stop it. But the U.S. competitors caught up and then, in 1979, the market turned down and Michelin was caught with against the French franc, and

the company had to service its substantial dollar borrowings with even larger amounts of

The Michelin directors admit today that they were not accustomed to having to worry about things like inventory levels and cash flow, and that it was a long time before they started to carry out the neces-sary surgery. "A racehorse can-not be changed into a work-horse," M Michelin notes wryly. In the three years to the end of 1984, total losses exceeded FFr 8bn (£627m), and this year

many others have been ration-alised. The workforce has been

cut from 137,000 in 1980 to 110,000 today, as automated machinery has been brought in.

Stocks have been reduced

from over 44 per cent of turn-over three years ago to less than 34 per cent. Output per worker has doubled in the past

decade and rejection rates have dropped by a factor of 10. But the group's net borrowings of

roughly FFr 30bn are still three times the level of share-holders' equity. With the

holders' equity. With the company restored to a position

of approximate breakeven in its current business year, the direc-

tors are now making a start at rebuilding the equity through a FFr 500m convertible bond issue, but it is counting heavily

on retained earnings to bring its equity back up to about a third of total capital.

'If we had not gone to the

U.S., we would be dying,'

M Michelin says bluntly

The bad years have left scars. lished itself as the clear People even wondered if number two in the car and Michelin would survive. Com-petitors nourished the doubts with insinuations about the fad-ing of its technological edge, its slowness in responding to mar-ket trends and problems with new product. It is true that Michelin was

slow to introduce an all-weather tyre, which became very popular in those parts of North America with severe winters. But the company still believes that this tyre makes too many design compromises.

In Europe, it is the market leader in every country, with an overall share of about 40 per cent on new cars and 60 per cent on new trucks. "We are like a tyre (Nous sommes pneu-matiques)." M Michelin says, "supple and strong." And the company is still

26 per cent.

totally and exclusively devoted to tyres and wheels. Most of its competitors have diversified in the company expects to do no lt is also true that its TD low better than break even. Factories have been closed in Britain, Italy and Belgium and inadequacy. Its qualities an attempt to level out the vola-tile automotive industry cycle, flop. But this is not because of any inadequacy. Its qualities have been widely praised. The problem is that it has a newly but Michelin will not follow. Today, about 95 per cent of its revenues come from tyre sales. The rest comes from wheels and the admirable maps and guides. shaped bead that has to be mounted on a specially shaped wheel. Car makers have been reluctant to adopt it until there M Michelin has thought a lotabout the prospects for the tyre is more than one source of supply and, so far, Michelin's business, but has concluded that the future of motor vehicles is good, and motor vehicles will always need tyres. "You will competitors have refused to go o other recent achievements to show that they are getting value for the 5 per cent of turnover they put into R & D. Probably the most important the service of turnover they put into R & D. Probably the most important the service of the service of

number two in the car and truck tyre markets in the U.S. It claims about a 10 per cent

share in the new and replace-ment car markets, second only

and steel that make up today's tyres will be hard to replace. A few producers are trying to develop injection moulded polyurethane tyres, but M Michelin is sceptical. "The most resilient species on earth have been those with skeletons," he says in a typical envolee. "It is very difficult to find a single material

that can be both flexible and

that can be both flexiole and rigid."

Also, radial tyres are still improving. In the past five years, Michelin claims to have extended the life of its tyres by about 5 per cent, reduced their resistance to rolling by 30 per cent and reduced their noisiness. New materials promise further improvements.

Michelin frequently develops products related to wheels and vehicle suspension systems, but it sells the technologies to others, preferring to concentrate on tyres. "This is a fantastic business," M Michelin says, "There are still so many areas of possible research we don't need to diversify. And our customers are ruthless at exposing our weaknesses."

He also believes that the need for development plays to the

He also believes that the need for development plays to the company's strength." The state of our markets will not enable everyone to pay for the necessary research." he says, A shake-out has already begun in the world tyre industry, with the sale last year of Dunlop to Sumitomo. Gondrich and Firestone have abandoned the viciously competitive new car markets of the U.S. and Europe respectively.

respectively.
"Anyone who gets out of the original market is condemning himself to death in the medium term," says M Behrouz Chahid-

But Michelin, thanks to its But Michelin, thanks to its investments in North America, has a new confidence. "It we had not gone to the U.S., we would be dying," M Michelin says bluntly. Instead, he sees the company as a true multinational with not only sales and production in many countries, but also R & D. "We acquire ideas from everywhere," he says. The U.S. is the group's latts; market, accounting for laitst market, accounting for about a quarter of sales. France, by contrast, produces only 15 ment car markets, second only to Goodyear's 15 per cent. Its penetration is even greater in heavy truck markets where tyre durability is tested to the full. It has a 20 per cent share on new vehicles and 17 per cent on replacements. In radial replacements alone, it leads the market with a one-third share, well ahead of Goodyear's 26 per cent.

per cent.

Despite its global expansion, the company has stayed in Clermont and its officials still eschew the salons of Paris. Perhaps that helped it avoid nationalisation in 1982. M Michelin says he was very worried at the time, and still does not know why the group escaped. But the problems of remain-

ing a very private company in this rather interventionist



considerable. Michelin was stunned two years ago when the French military objected to the company developing a military aviation tyre without permission. M Chahid-noural says various

Government measures since 1981—stiffer foreign exchange controls, a shorter working week and longer holidays—have cost an extra FFr 1.5bn a year. The company's French operations remains stubbornly in loss They may be profitable next year, if the local market im-proves.

Astron

But it would be unthinkable for Michelin to reduce its pre-sence in France. M Machelin was so taken aback by the question that he was at a loss for words. "Nunc est Bibendum," the company's slogan since 1898 when an artist first drew the Michelin man gulping down goblets of nails with inpunity, seems apposite. The company faces many obstacles and M Michelin appears unflinchingly determined to swallow them all.

Self-regulation in the City

tection agencies moved into action yesterday evening by staging their first formal meeting with representatives of the fin-

ments Board Organising Committee, are anxious to impress on the financial community that time is short for the formation time is short for the formation of new self-regulating organis-ations (SROs) if they are to be in a suitable state for formal recognition before the investor protection legislation comes in-

On the present timetable, the SIB and the MIB (if it is set up as a separate body) will acquire statutory powers some time in the late autumn of 1985 and the legislation will come into full effect at the beginning of

It is intended that the bodies will operate in practice largely through SROs. There will be provision in the legislation for direct authorisation of firms or direct authorisation of firms or individuals by the boards. But it has always been clear that such direct authorisation could not be allowed to be a soft option, and yesterday the SIB and the MIBOC emphasised that it could turn out to be significantly more expensive than cantly more expensive than membership of a recognised SRO.

Pressure

The boards do not wish to see a proliferation of SROs. At the same time, the number of sultable established bodies is rather small, especially in the MIB's territory of life assurance and unit trusts. In this field there are various trade associations such as the Association of British Insurers, the Unit Trust Association and the British Insurance Brokers' Association, and one statutory body, the Insurance Brokers' Registration

legislation would be required to successfully.

life assurance and general insurance functions would need to be separated.
In the direct investment area

ancial services industry.

The Securities and Investments Board and its associated body, the Marketing of Investment area to be regulated by the SIR the SROs already in existence or in the process of formation are the Stock Exchange, NASDIM and Stock Exchange, NASDIM and the Association of Futures Brokers and Dealers. It is possible that the list may end there if these bodies extend their coverage, but the SiB is conscious that some sectors are at present supervised very thinly,

The types of activity causing concern to the SIB include investment management dealings in foreign securities, Eurobond trading and corporate finance (including the takeover panel, the position of which has been under intensive discussion for some months). There is also the question of regulating the socalled over-the-counter markets in securities separate from the

So far the big clearing and merchant banks have been slow toto respond to the regulatory challenge, perhaps understand-ably in view of all the other current demands on the energies of their managements. In some cases their investment manage ment offshoots have joined NASDIM, but little has been heard of the suggestion at the time of the Gower report on interest the control of the investor protection that the Accepting Houses Committee might be willing to turn itself into a self-regulatory body.

The point the SIB was making to financial services industry

representatives yesterday was that it will take at least a year for a new SRO to set up a secretariat and equip itself with all the necessary paraphernalia of

rule books, codes of conduct, disciplinary procedures and compensation schemes.

The Government's approach to investor protection has been firmly oriented towards self-regulation, albeit within a statutory formework. By definition Insurance Brokers' Registration Council (IBRC).

It is possible that the gap could partly be filled by the National Association of Securities Dealers and Investment Ma largers (NASDIM) but there could be pressure on some of line other organisations to undertake the considerable steps needed to turn themselves into acceptable SROs. The IBRC is also a candidate, but primary legislation would be required to

A drop of the hard stuff

Good news for devotees of the old-fashioned pub. Nearly 5,000 hostelries in England and Wales, all of which date back to 1904 or earlier, are sharing a Sovernment handout totalling

The money is held by a curious institution known as the Licensing Compensation Funds. Back in 1904, Arthur Balfour's Tory Government brought in a Licensing Act to reverse the growth in the nation's pubs. In overstocked areas, some pubs were required to shut up shop. To compensate the losers, the Government imposed a levy on the pubs remaining. The money raised went into various compensation funds up and down the country, which carried on paying out sporadically until 1983, when a pub in Derby was the last recipient.

In 1981 the funds were wound up by Act of Parliament. The job of dishing out the surplus cash went to Peter Dickerson of accountants Howard, Tilly, who was appointed liquidator.
"It's been two years' hard



election's over—if it's not posing with politicians it's answering opinion polisters'

Men and Matters

labour," says Dickerson, "but it's amazing how much you learn about the pub trade in the process." The main problem was establishing who was eligible.
A number of pre-1904 pubs applied only to be turned down. The most common reason.

Dickerson says, was that they had been licensed only to sell beer at the time of the Act. By changing to a full licence later, they lost the pre-1904 licence needed to qualify.

Most of the cash has gone to the brewers, with the biggest single cheque being for over £250,000. For owners of single pubs the pickings were more meagre—89 qualified, for an average of £270 each.

Band of angels

While Charles Saatchi establishes himself as the biggest collector of contemporary art in the country, brother Maurice has chosen the theatre for his arts investment. He is putting around £50,000 into A State of Affairs, a marital comedy, which opens at London's Duchess Theatre tomorrow night.

Maurice the more extravert

Maurice, the more extrovert of the two brothers who built up in a decade the largest British-owned advertising agency, saw A State of Affairs when it played at the Lyric, Hammersmith, and liked it enough to speed it on its way to the West End.

He is not the play's only backer. It will be the second venture of Lyric Hammersmith rentire of Lyric Hammersmith Productions, a company set up two years ago under the Business expansion Scheme to make the most of the Lyric. The company quickly raised £250,000, mainly from a hundred small investors, but with the theatre taking a f62 500 stake

Lyric's first West End trans fer was Feiffer's America, currently at the Donmar Ware-house, and coming in July is nouse, and coming in July is The Seaguil, starring Vanessa Redgrave. The shareholders have been told not to expect a dividend for three years, but with Maurice Saatchi joining them so enthusiastically, this could be one group of angels with something to sing about.

6d well spent

How much are old paperbacks worth? The question becomes important as Penguin Books, pioneer in the field, prepares to celebrate its jubilee. Allen Lane's experiment in 1935 to bring good reading at sixpence. bring good reading at sixpence a time to a growing public trig-gered a publishing revolution and those first ten Penguins will be republished this year in facsimile in a gift box at £14.95.

What would the originale be worth in mint or near mint condition? Auctioneers were cagey. Graham Baird of Sotheby's said: "It's difficult to sotheby's said: "It's difficult to put a price on them. That kind of book is handled and reda and you don't find many in mint condition. But recently a copy of Ariel (André Maurois s biography of Shelley and the first Penguin to be published) sold in auction for £30 and it wasn't in perfect condition."

dition." But anybody who has the first ten in a pretty good state could expect to get about £1,000 for them.

Forthe record, the first lot, besides Ariel, were Hemingway's A Farewell to Arms, Eric Linklater's Poet's Pub, Susan Ertz's Madam Claire, Dorothy Sayers' The Unpleasantness at the Bellona Club, Agatha Christie's The Mysterious Affiair at Styles, Beverly Nicols'

Twenty Five, E. H. Young's William, Mary Webb's Gone to Earth and Compton MacKenzie's Carnival.

along with the new design.

the first radial tyre for aero-

planes, introduced two years ago. It is much lighter and tougher than conventional tyres, so airliners can increase

payload while reducing the risk of tyre failure. It has recently

been accepted by the U.S. Air Force for the F-15 fighter.

The company has also estab-

Hard driving

The unremitting efforts of the Japanese Government to liberal-ise its trade have now ensured

ise its trade have now ensured that at least three more foreign cars will be imported into the country this year.

Back in May, the Ministry of International Trade and Industry announced it was buying a Buick and a Mercedes for its viec-ministers.

Now the Government agency

in charge of Import promotion is to buy a Jaguar XJ6 for its chairman. The Japan External Trade Organisation (Jetro) will spend Y10.7m (£31,000) on the car, the first of British make in its fleet of eight vehicles for executive use.
In a statement apparently

simed at encouraging the discriminating Japanese customer to follow its example. Jetro said: "The Jaguar is used by British Prime Minister, Margaret Thatcher, and is regarded as a luxury car and noted for its reliability." But exporters clearly still have a long, hard road ahead. Foreign cars account for less

than 2 per cent of the Japanese market's 3m cars a year.

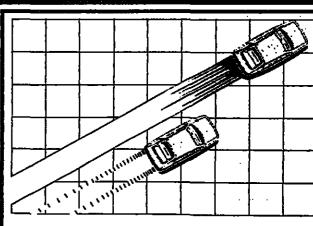
Happy ending

What a difference it should make to us all if the Government gives the go-ahead for plans to create a £5m computer network in Parliament.

According to Computing news-paper: "This will involve rewiring the Palace of West-minster and outbuildings and supplying intelligent terminals to MPs." To coin a phrase

Heard in a Chelsea pub: "I don't mind people having money. What makes me sad is

that they never use it the way people who haven't got it would use it if they had it." Observer



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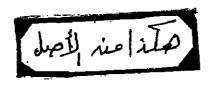
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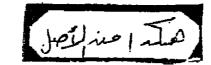
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"WE ALWAYS believed Eurocommunism was just a fashion that would have its heyday and then decline."

At their functional new headquarters in Lisbon, built by subscription from members. Portugal's communists feel vindicated by what has happened to their fellow parties elsewhere in Catholic Europe.

The Portuguese Communist Party (PCP) stuck by Moseow while the parties in Italy, Spain and France were declaring their independence in the 1970s, and was regarded by the others as an aberration. Today, of the four parties, which at their peak had a combined electorate of more than 21m and which still control their countries' largest (in Spain the equal-largest) labour organisations, the PCP is the only one still gaining votes and members.

The setbacks suffered by the The setbacks sunered by the Italian Party (PCI) in last month's local elections and in this month's referendum on wage indexation are the latest blow to what promised to be a regeneration of Communism under a reformist banner in Western Europe.

The Spanish Communists (PCE) have lost more than half their vote since 1979 and 60 per cent of their membership, now only 75,000. This is barely three times what the underground party had in Franco's time, and compares with the PCI's 1.6m card-carriers. The French party (PCF), the most secretive of all, lost a quarter of its voters in the last national elections and is now below that level, and may have lost as many as half its members.

As for the principles of Euro-ommunism, the PCF has to all intents and purposes abandoned them. The PCE has changed its tone. The PCI—all there is left to show as a powerful force of new-look Communism—has also become less aggressive towards Moscow as it, too, has come up against internal problems and a membership that is slowly eroding and ageing.

In all three countries, the word "Eurocommuist" has quietly slipped out of the

Though the parties differed in their approaches, they agreed on the broad definition of what Eurocommunism meant. It had four main facets: independence from Moscow's foreign policy, especially after the invasion of ment most recently and longest.

Czechoslovakia by Warsaw Pact

The PCF, like the others, western-style democracy, respect tion in Czechoslovakia but butn-for individual liberties, and tracked soon afterwards. It adjustment to social changes; did not firmly embrace the troops in 1968; adaptation to adjustment to social changes; did not firmly embrace the internal party democracy; and, change in thinking until 1976 an essential part of the appeal, the creation of a new "pole" of communism where communist ideas first grew up, in Wasters Furnal

Western Europe.

When the three party heads, out of the party, the move the late Sig Enrico Berlinguer, brought no real progress in the M Georges Marchais and Sr PCF.

EUROPE'S COMMUNIST PARTIES



Three European figures: (left to right) Santiago Carrillo, Georges Marchais and the late Enrico Berlinguer

Why there is a swing back towards Moscow

by David White

Santiago Carrillo, met in Madrid in March 1977, it was billed as the beginning of a major new movement, but in reality it was

nated version of traditional positions.

The break with Moscow, which the PCI began in the 1950s and even before, came late in the other two parties and created serious problems. Both got cold feet, in the French case quite drastically.

Of the three Communist

parties that have taken part in post-war governments in Western Europe (in France, Italy and Portugal), the PCF is the one that has been in govern-

The PCF was then on a joint left-wing platform with the Socialists. But by the end of 1977, when M Marchais broke off the union of the left, the "Where we went wrong," says party had concluded the SociaSr Andreu Claret, spokesman lists were getting the better of for the PCE and an avowed liberal, "was in presenting lost its place as the biggest Eurocommunism as a decaffer party of the left in France, and party of traditional started its return to traditional started its return to traditional

> The swing back was confirmed by M. Marchais' expression of "understanding" for the Soviet invasion of Afghanistan and by the resumption of expulsions from the party. Five years ago, M Marchais was still saying.
>
> "Eurocommunism exists, is alive and will stay alive," but today the only survival from Eurocommunism, remarkably, is M Marchais himself.

M Marchais' about-turns have left the PCF, once "the first party in France," at its lowest level since the 1920s. After the war, it polled 28 per cent, and in the 1960s and 1970s, with a legislate that the legislate in the legislate that the legislate is the legislate that the legislate that the legislate is the legislate that the leg legendary voter discipline, held on to 20 per cent of the vote. In last year's European elec-tion it was down to 11.2 per

or because of internal problems. or because of internal problems.

The leadership has since hardened its position still further, and the party, hounded by a press which is virulently anti-Soviet, is acting like a fortress under siege.

Thwarted in government, deserted by its intellectuals. the party now seems to be banking on a recovery in the Soviet image under Mr Mikhail Gor-bachev. Prospects for reform within the party are dimmer than ever. "It is well past the point of no return," says M

The Spanish PCE has been through an even more dramatic collapse. The strongest organised force in opposition to Franco, just as the PCP was to Salazar, it expected a leading role in democratic Spain. But a disappointing 9 per cent. In 1979, it reached almost 11 per cent with 1.9m votes, but three years later, with Sr Felipe Gonzalez's Socialists presenting a more modern and more reassuring image, it was down to less than 4 per cent.

Since Sr Carrillo resigned in It is a moot point whether its withdrawal from the Mitter- PCE has become a den of The journal has a certain cachet rand government a year ago, after three years, was more because of economic policies pro-Soviet party and the recent to have several years ago.

exclusion of Sr Carrillo and his allies from the party's chief

organs.

Its leaders came to the conclusion that it was damaging at own identity and unity by being so outspokenly critical of Moscow. At the outset, says Sr Claret, the PCE needed to be the outset of the content of show its credentials as a party in favour of democracy, "Now we don't need to demonstrate it any more." Relations with the Soviet party have been tense because of the latter's support for the new proloscow splinter group, and no Spanish communist leader has But the party now wants to

party in the country and con-ninues to recruit in both indus-trial and rural areas. But then, its HQ looks out on shanties: Portugal's social conditions are that much more backward, and

that communism can only keep its hold in archaic societies. Eurocommunism was meant as a response to modern conditions but the parties have found it hard to adapt. Much of their base still lies in old, disappear-

Above all, no alternative international movement to Moscow's has emerged. The Italian party—"no longer an international attraction," says International attraction," says

Mmc Kriegel, "just beautiful

Italian remains"—never played
the locomotive role it was seen
as having. Relations between
the parties foundered when the
PCF, whose "Socialism in
French colours" has distinctly nationalist overtones, opposed Spanish membership of the EEC. The joint movement never took off.

Oddly enough, the place where Eurocommunism may be now slightly in vogue is Britain. The British Communist Party was never statistically very important and now less so than ever with its membership down to less than 15,000. It split at a special party congress earlier this year.

It was the "Euros" who came out on top, but the old guard retain control of the Party's daily newspaper, the Morning Star. The "Euros," however, Star. The "Euros," however, have had an influence way beyond their numbers through the Party's official monthly journal, Marrism Today, particularly in trying to bring together a broad left in opposition to Mrs Thatcher's Conservative Party Training

Britain should follow the 'driving test' formula

By Ronald Dore

THE BELIEF in the supreme meanwhile, Sr Alvaro Cunhal's PCP, like the Greek there are a good many nooks and crannles in our socks and crannles in our socks and crannles in our socks to the commands 17-19 per cent of the vote. It is more solid than any party in the country and conmands to turn what virtues of competition is much must be a certification mono-poly into a monopoly over training — and to grow fat on the proceeds.

Portugal's social conditions are that much more backward, and provide fertile ground.

The French historian Annie Kriegel, who wrote a book in 1977 saying that Eurocommunism would not work, argues that communism can only least magning against the same magning against a same magning against against a same magning against a same powers. can be made to have the same meaning everywhere. But still the driving schools have not managed to make it compulsory to take their courses first. How one gets a driving competence to pass is still left to individual initiative. All you need is the use of a car, a friendly, tolerant and first part of the course still the course of the car, a friendly, tolerant and first part of the car. nerved relative, and £14.40 a sum which actually covers the whole cost of testing — all salaries. the superstructure

necessary to maintain stan-dards, etc. Fork-lift loaders may be a bit less lethal than cars, but manipulating them is a skill. and those who drive the things without it can waste millions of pounds a year. So what can a small employer do if he wants to give his employees an incentive to become really com-petent in their job, to give

them recognition and a sense of pride and accomplishment? He can contact a licensed tester - with powers delegated to him by the Road Transport Industry Training Board-who is also an instructor. He will give a three-day training course for two at £400. But you can be pretty sure they will get a certificate on the third day, (Flexible standards, you say? Perish the thought. The tester has to go back for a three-day recertification course at RTITE approved centres

very five years.) Alternatively, for £1,000 an employer could send one of his own employees on a course which would give him the right to train and to test. All teaching is a very specialised that for a marginal improvement in the way his forklift loaders are driven — and a people, after very rigorous Centre.

that his now certificated employees will be poached by someone else. The deterrents are obviously strong.

Why do we create such deterrents at the expense of competence? Why not the driv-ing test formula, separating testing and training? Regular circuits of lesters available to test on employers' premises, or at special skill-test centres: training left to employers to arrange. Adequate and less

Why it it not done that way? Why do we allow anyone to

How one gets a driving competence to pass is still left to individual initiative

combine a monopoly over certification with a monopoly over teaching too? The answer lies deep in history. In countries with a strong state, like West Germany and Japan, and even the old New England states in the U.S., the public interest in competence—the shared interest in protecting ourselves from quacks and bunglers — is firmly looked after by the Government which organises a wide range of skilltesting and certifying systems. In weak-state Britain, only in

extreme cases — when it is a matter of driving cars that can kill people or pharmacies that sell poisons — does the state step in. For the rest, British society is a jungle of competing self-interested occurational ing, self-interested occupational groups organised into institutes institutions. guilds unions, associations, all claiming privileges of monopoly in exchange for protestations of their devotion to the highest ethical standards in service of the public.

The mystique of the arcane specialism, of self-regulation dedicated to the highest purposes, is a powerful one. In the case o fthe skill-training industry, the core of the mystique is the thesis that teaching is a very specialised skill. Any fool can drive a forklill truck, but only very special people, after very rigorous

— or a forklitt truck driver's certificate. Good for the training industry — but at the cost of confirming the widespread view of the YTS as what the French call a "formation parking" — "courses to keep 'em off the streets."

The author is assistant director of the Technical Change Centre.

big increase in the probability training can teach people how to drive a forklift truck. In fact, for most skill training, being a good teacher is 90 per cent patience and kindliness. tricks of the teacher trade.

And yet the training industry manages to maintain its mystique and get away with its monopolies. It is ironic that it should do so in Britain where the generalist tradition of the Civil Service—like that of Japanese industrial management—rejects the involability of specialist professional

If we are serious about raising standards of occupational competence in this country, then we surely need to make much more use of the driving test formula — let public funds take care of testing its integrity and validity, and let individuals and organisations organise the training as best they might. New developments in distance-learning (and distance-testing with video-cameras) make it all the more fought to the video-

feasible to do so.
At present it is all going the At present it is all going the other way. Massive resources are going to support training; almost none for testing. The Engineering Council, for instance, might be making its own "bar exams" to establish a consensus on minimum competence levels. Instead, it is busy awarding becomes to the busy awarding licences to the teachers not the taught — "accrediting" internally assessed courses up and down the country.

Likewise, the substantial funds—around £1bn—about to be committed by the MSC for the extended YTS scheme and approved by the Government on Monday. There is a danger that they, too, will end up sup-porting more and more internally-assessed modules on work orientations" and "life skill enhancement" rather than, say, preparation for the City and Guids numeracy test — or a forklift truck driver's certificate Good for the train.

Interest rates and industry

From the Managing Director Advance Tapes (UK)

to have arisen about the impact of high interest rates on companies following Mr Nigel Lawson's reply to the CBI's call for a 2 per cent cut in base rates. What confuses me, however, is that there should be a debate at all.

Of course, the Chancellor is right to stress the importance of keeping wage settlements, or more particularly the unit costs of labour, under control. Every-one who has the responsibility for running a company is only too well aware of this, and I can assure him that indus-

with unnecessarily high interest rates? Surely we need action in rates? Surely we need action in both areas. The difficulty is that while industry can continue to work on pay, it has no control over interest rates. Wage settlements will vary according to company circumstances — interest rates hit right across the board, whatever the current trading position of the business. What is more, they leave UK companies at a distinct competitive disadvantage when the base rate level is compared to those abroad.

Cases, with what point of law as their subject matter, are due to be heard. Only the House of Lords stands apart from this criticism, but very very few cases are actually heard in their Lordships' House.

I have spent many years now trying to crack the system. Uitimately, it all comes down to getting "to know someone" who knows what is going to come up. That, however, works less than perfectly. I usually find myself going through rough-and-ready cardboard

for action earlier in the year, when there was a need to protect the f and to save us from the possibility of another unhealthy dose of spiralling inflation, but the protection has gone on for far too long. Certainly there has been some improvement in manufacturia company profits, but this is from an historically very low base and it does not yet provide adequate means for the addiinvestment needed to

HOR.

sustain the recovery.

The Chancellor in any event cannot justify a simple com-parison of cost to industry between interest and pay rates. The high interest rates are supporting a high pound, and it is this high pound that is causing the major problem for manufacturing, exporting, com-panies. For my own company the difference in the exchange rate, over the last six months, with the German Mark and French franc, is costing more per month than 2 per cent on the interest rates costs in a year. That is a cost to be faced. back to the Japanese. Americans, Taiwanese, et al. What is the point of a duty-free EEC when we have a Treasury policy that imposes a 18 per cent surchards on any Arras of the point of th or the market has to be handed

charge on our exports to our major market during 1985.

The CBI's case for a 2 per cent reduction in interest rates is amply justified and to dismiss it is to seriously undermine the basis that has been Milan summit regarding the

for sustainable, amendment of the Treaty of

Letters to the Editor

established growth.
D. A. Ayres.

Abbey Meadows, Lcicester.

Making the law accessible

From the Editor.

Court Judgment Service Sir,-Rachel Davies' article (July 1) is timely and perceptive. However, she does not touch on the sheer difficulty, and at times downright impossi-But even if this drive is successful, is it to be assumed that we still have to put up the successful as the submitted form of the submitted for to discover in advance just what cases, with what point of law

broad. rough and ready cardboard could appreciate the need boxes in the Royal Courts of Justice to see what of interest has cropped up since my last voyage of discovery. Even this

is much less than perfect, and means journeys to several rooms in the warren-like Royal Courts. I still manage to discover cases of no small value which have failed to catch the eye of the law reports and law reporters. Do we not have computers? Cannot, therefore, someone in

the Lord Chancellor's department now instigate the follow-ing plan? All cases to be heard in the Royal Courts should be immediately placed on a com-puter along with a brief (it can be done in 10 words) breakdown of what the case involves and the reporter from whom it may be obtained. The computer should also be indexed under subject matter (eg. unfair con-tract terms, employment, land-lord and tenant). The display terminals should then be made available to the public in the entry hall of the Royal Courts. That way the administration of the law could find its way to the 20th century. That way, the law would become accessible

Car pollution and engine size From Mr E. R. Gurney Sir,-The outcome of the

Rome has tended to obscure the provisional agreement reached. after much discussion, in Luxembourg on car engine size limitations for the various measures required to limit pollution. In particular, it appears that engine sizes below 1.400cc are to escape, and one is forced to ask why an engine size of 1,400cc has been provisionally agreed and not 1,300cc, which happens to be the engine size linked to insurance categories and, in the UK, also one of the bands for the tax scales of com-

pany cars. The major UK manufacturers and assemblers, Austin Rover, Vauxhall and Ford and, on the Continent, Fiat and Volkswagen, have accordingly estab-lished their designs in a band

up to 1,300ec. Why then the 1.400cc limit? of the French motor manufac-turers, Renault has an engine size of 1,397cc and Peugeot has an engine size of 1,360cc power-ing Citroen, Peugeot and Talbot cars—both of these engine size limits representing the majority respective companies.

Yet again, the French nego-tiators have gained a significant victory over their competitors and it appears to make no difference whether it is a socialist or right-wing government in power. The men engaged on negotiating the points that really matter have done their homework and argue their case contincingly. their case convincingly. William Waldegrave

should not need, as is reported. to withhold consent pending further talks with the UK motor industry. He should have known the commercial advantage of negotiating a limit of 1,300ce and stuck to it at E. R. Gurney 30, Milsom Street, Bath.

Black workers in South Africa From the MP for Coventry SE (Lab)

Sir.—Currently black workers are being viciously treated by an ICI subsidiary, the AE & Cl Chlor-Alkali and Plastics Comin Newcastle. South DARY

The workers have been given an ultimatum to return to work with a wage increase to which

they are opposed, or face dismissal this week.

The strikers, members of the South African Chemical Workers' Union, have stood firm for a living wage and against O E K Labard for a living wage and against victimisations. They now face Glenyra, Earlsferry-Elic, Fife.

the prospect of management defended by the brutal South African police.

AE & CI is 38 per cent owned by Anglo American Corporation, the huge South African mono-poly. ICI in Britain, and Anglo American in South Africa like to present themselves as "enlightened" employers. Their response to the workers' demands in this dispute—like Angle American's sacking of 16.600 mineworkers in April-gives the lie to this.

Sir John Harvey-Jones, chair-

man of ICI, is an SDP supporter —a supposed "moderate"—just as Anglo American has traditionally supported the "Progressive" Federal Party. What they are showing by their actions, is that when it comes down to the question of profit, the interests of all employers are the same— and that the SDP and PFP will defend those interests also. It is hardly surprising that Sir John, with a salary of £287,000 per year should be listed at No 8 in the Sunday Times league of big bosses (19.5.85). His last pay increase amounted to 68 per cent. Moreover, ICI's pretax profits rose by 67 per cent in 1983-84.

The actions being taken by AE & CI in South Africa reveal what the bosses would also do in Britain, if they could get away with it. No wonder the SDP is so rabid in its defence of anti-trade union legislation. More than ever, British and

South African workers need to join forces in order to defeat the attacks of the international capitalist class. Dave Nellist House of Commons, SW1

Commodity

surpluses From Mr O. E. K. Laband Sir.—I would like to comment

on Mr R, Stenton's letter June 29 on "commodity surpluses." Sending surpluses to Africa no service. Handouts or charity take away the dignity of the independent states, the dignity of the people, particularly the dignity and the way of life of the farmer who is capable, independent and proud. The come the temporary setbacks, get back into production and where applicable give help with soil and water conservation.

If we did send all of our surpluses, the logistics of trans-portation and storage in the countries and the distribution to the needy would make this a very wasteful operation, to put it mildly.

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Gareth Isaac has all the details on 0633 56906

FINANCIAL TIMES

Wednesday July 3 1985

Thatcher

plays down

differences

at EEC

summit

By Margaret van Hattem in London

mending fences after the abortive EEC summit in Milan at the week-

end, playing down the differences between itself and the seven mem-

ber states which want to consider

amending the Treaty of Rome.

Prime Minister Margaret Thatch-

er made a generally conciliatory

statement in the House of Com

mons, stressing the degree to which decisions taken at the summit re-

There was confidence in govern-ment circles that the proposed in-tergovernmental conference to con-

sider amendments to the treaty

could be steered towards producing

a "fairly harmless package - beautifully gift-wrapped" to which Britain

could agree.
Mrs Thatcher's statement ended

on a slightly waspish note. The UK

lected British thinking.



BANK OF FRANCE SEEKS TO CUT BACK GROWTH IN MONEY SUPPLY

Paris imposes curbs on credit

BY DAVID HOUSEGO IN PARIS

THE Bank of France yesterday im-posed a squeeze on bank lending an average annual rate of 8 per posed a squeeze on bank lending cent, on the basis of provisional figamong measures aimed at slowing down the growth in the money sup-

The more restrictive credit policy is to be achieved by forcing banks to increase the volume of reserves they hold with the central bank.

At the same time, the Government will accelerate its financing of the budget deficit through the bond market rather than through monetary creation. Foreign borrowing by French institutions will also be slowed down to offset the capital inflows which have been boosting the

money supply figures. The measures are aimed at bringing the growth of M2 money supply back within the upper limit of the target range for 1985 of 4 to 6 per cent. The bank of France confirmed yesterday that over the last three months, M2 had been expanding at

Sweden

leading

Eurobond

borrower

By Alexander Nicoll in London

SWEDEN topped the list of bor-

in the wake of a 0.5 per cent cut at the end of last week in state-administered savings deposit rates and of certain subsidised credits. The ap-parently contradictory signals to the market reflect the divergent goals of the Government in seeking to bring down interest rates, with inflation, while at the same time to bring monetary growth under con-

Exempted from the tighter credit restrictions are new loans for housing - even though the pick-up in housing loans was one of the reasons for the unexpectedly large growth in M2.

M Pierre Bérégovoy, the Minister for the Economy, is seeking to pro-tect small and medium-sized indus-



M Pierre Beregovov

ing to banks to remind them of the covery in industrial investment.

Although no figures were officially disclosed yesterday, the Govern-

in the bond market during the rest of this year.
That accelerated programme of

financing is expected to exert an upward pressure on long-term in-terest rates. Partly to offset that the banks - which have been sub-stantial borrowers in the bond market in the early part of the year to strengthen their capital base - will reduce their raising of long-term funds. But the effect - through the capital-to-lending ratio - will be to restrict further their lending po-

The new credit restrictions come at a time when economic growth is agnant and when the Government had wanted to encourage a pick-up in activity before the perliamentary elections in March. But it has instead given priority to containing money growth, which might have

ment will now seek to raise FFr an impact on inflation and hence 85bn to FFr 95bn (\$9.1bn to \$10.2bn) the health of the franc.

France looks abroad for new digital switching supplier

BY DAVID MARSH IN PARIS

tions groups to explore diversifying purchases of digital switching

rowers in the Eurobond market in the first half of 1985 raising \$3.24bn through 15 issues, ousting the World Bank with \$3.18bn - traditionally the largest borrower in international bond markets - and the EEC with \$1.96bn. The European Investment Bank and Banque Nationale de

Paris were fourth and sixth re-spectively, and other sovereign borrowers were Belgium, which ranked seventh, Denmark, Italy, Malaysia, Ireland and Spain. The totals for the period, 959 issues aggregating \$81bm, emphasised the growing importance

British banks were among the largest borrowers as a result of a flurry of issues of perpetual floating-rate notes which count-

ed as primary capital. National Westminster Bank ranked fifth, with four issues totalling \$1.52bn, in a table of the largest Eurobond issuers compiled by IDD Information Services and the Eurobond Letter. NatWest issued the largest per-petual FRN, at \$1bn, and its other issues included a SwFr 300m bond issue with equity warrants

launched last week. The other three UK clearing banks as well as Standard Chartered Bank also featured in the top 25 Eurobond issuers thanks to their perpetual issues, made as a result of new Bank of England guidelines which permitted them to be treated as capital.

Figures compiled by the Eurobond Letter also showed that the Mercury Eurobond Fund, ma-naged by UK merchant bank S. G. Warburg, achieved a 13.57 per cent annualised return in the first half of the year topping over 100 funds monitored.

Among other dollar-denomi-nated funds investing in a variety of currencies, Orion Royal Bank's RBC International Income Fund came second with 11.38 per cent, followed by funds advised by Baring Brothers, GT Management and Banque Na-tionale de Paris.

A fund managed by Dresdner Bank led D-Mark multi-currency bond funds, with Crédit Suisse leading the Swiss franc table and Fidelity International Manage-ment ahead in sterling funds.

Credit Suisse First Boston topped the issue managers' table, running the books on 102 issues totalling \$13.49bn. It was fol-lowed by Salomon Brothers with \$4.8bn and Merrill Lynch Capital

Eurobonds, Page 15

FRANCE has contacted leading leave it dangerously dependent on a would need political considerations U.S. and Japanese telecommunicasingle supplier for its switching purton.

The moves by the Direction Genérale des Télécommunications been proposing to its European (DGT), the national telecommunica- partners opening 10 per cent of its natic view about international electronics alliances, despite the Gov-ernment's political preference for European link-ups.

The contracts have been made with AT&T. International Telephone & Telegraph and Nippon Electric of Japan as part of the CGT's policy of looking at all avail- FFr 1bn a year. able equipment suppliers from abroad, officials said yesterday. The DGT has made no secret of its fears that the telecommunica-

tions merger between the state-owned Compagnie Générale d'Élec-tricité (CGE) and Thomson groups, announced in September 1983 and up to now have been technical and that the final choice of supplier

Gromyko

President

Continued from Page 1

diplomat who defected to the U.S.,

elected

iance on supplies from the nationalised Alcatel-Thomson telephone group.

The French Government has

tions authority, illustrate how telecommunications market to out-France is now taking a more prag-side suppliers, provided it was done telecommunications market to outon a reciprocal basis, On the basis of switching equip-

ment orders last year of about FFr 96m (S104m) divided up between CIT Alcatel, Thomson and the also state-controlled CGCT group - that would give foreign companies a po-tential French market of around

The interest shown by the DGT in possible U.S. or Japanese purchases is in strong contrast to the Government's policy of giving prior-

A decision to opt for U.S. equipment would appear inconsister with President François Mitterrand's personal condemnation in 1982 of the switching link-up be-tween AT&T and Philips of the

Significantly, however, the CGE group, which is now in charge of France's civil telecommunications activities, is currently in negotiations with AT&T about possible ac-cords to give Alcatel-Thomson access to the all-important U.S.

One possible outcome - although fraught with political obstacles - would be for AT&T to help CGE to sell its modified E.10 digital exchanges in the U.S. in return for access to the French market for the

AT&T-Philips grouping. Officials say that one reason why the DGT is now taking an "extreme ly open" line about foreign deals is disappointment about failure of efforts to sell the E.10 to Britain e joint venture wit AT&T, Page 17

UK to abolish capital gains tax on gilts

Continued from Page 1

and had no reason to praise him, wrote recently: "When I observed his performance at Polithuro meetings in the early 1970s, it was even then difficult, if not impossible, for others to argue with him or chal-

It is not clear if Mr Gromyko's de-parture from the Foreign Ministry is voluntary since his health is good. But the change is in keeping with the rapid promotion of a new generation of Soviet leaders by Mr Mr Gromyko played a significant

role in supporting Mr Gorbachev against his rivals under Mr Chernenko and warmly praised him when nominating him for the leadership But the appointment of Mr She vardnadze as Foreign Minister yesterday, taken together with the removal on Monday of Mr Grigory Romanov – last year a contender for the succession to President Chemenko – demonstrates that Mr. Gorbachev has consolidated his authority faster than diplomats in Moscow thought possible. It also shows that he now has the political strength to carry out radical ecoiomic reform.

A further example of the speed at which Mr Gorbachev has moved to get a Politburo to his liking came yesterday when Mr Yegor Liga-chev, a close ally of Mr Gorbachev, was appointed to a parliamentary post, indicating that he is now num-ber two in the Soviet leadership. The departure of Mr Gromyko, and the summit with President Reagan in November, will inevitably increase Mr Gorbachev's in volvement in foreign affairs.

World Weather

portfolios. Gilts which showed a relative yields of securities of differcapital gain would be held for at least 366 days so that they could then be sold free of tax. "It was a case of heads I win, and

tails the Chancellor pays 30 per cent of it," said Mr Robert Thomas, gilts partner of stockbrokers W. Greenwell, last night. He estimated that the majority of buying and selling of gilts by insurance companies, which was last year valued at £48bn (\$63bn) of stock, arose from capital The change would therefore

mean lower turnover, he said - and less stockbrokers' commission in a market where broking competition is set to intensify sharply next year. Some insurance company investment managers were sanguine about the changes pointing out they would simplify the administration of their portfolios. "We will be realising losses less but also selling our gains more within a year," said Mr David Simpson, investment manager of Standard Life.

But according to Mr Michael Newmarch of the Prudential Assurance: "This is going to make our equity portfolios even more unma-nageable. In the past we could realise a capital gain there and offset it with a capital loss on gilts. Now we

CGT in this period. Even when addition, the indexation provisions there has been no downward trend included in the Finance Bill will be in the gilt market, insurance com- amended so that they no longer panies have been able to generate have any application to the CGT on capital losses from short-term price gilt-edged securities or other bonds Airport move attacked

Continued from Page 1 place and denied there was any timetable for the remainder to be

released.
In order to underline that such a

possibility would never again be considered, Mr Rabin said, he had

to make clear to governments that they would be making a serious mistake if they thought that after

the insurance companies' equity fluctuations and from shifts in the

ent maturity dates.

In a parliamentary answer yes-terday, the Chancellor explained that the Government feared that the tax loss from such gilt trading would be increased by the introduction of comprehensive inflation adjustment provisions for CGT which are contained in the Finance Bill currently passing through parlia-

Even a gilt which was bought and sold at par within a year would have generated an allowable capital loss under the new indexation provisions, provided the retail price index had risen during the period of ownership. The last-minute change before

the passing into law of the Finance Bill, however, casts doubt on Mr Lawson's claim in his budget speech in March that the reforms to CGT he announced then, after a 12month review, put the tax "on a broadly acceptable and sustainable basis." The Treasury said last night one insurance company manager said: "This change opens up once more the question of further reform just when we were thinking the matter was closed."

won't be able to sell anything."

Because of the capital losses they generated in the gilts market between 1970 and 1982, hardly any insurance companies ever had to pay losses over the next 12 months. In CGT in this period. Even when there has been no downward trend.

submission by America and Israel."
It warned that there was "no justifi-

cation for picking a fight after such a defeat. You must know that our

men are more powerful than Ameri-ca's fleets and the pulses of our

fighters beat faster than your mis-

sile launchers."

failing to take appropriate security • Mrs Margaret Thatcher, the Brit-measures for their aircraft and in-stitutions, Israel would get them off pressed her "joy and relief" at the

stutuous, is a would get them off pressed her "joy and relief" at the the hook by releasing its prisoners. safe release of the American hosThe Islamic Jihad Organisation, tages in a telegram to President which has claimed responsibility Reagan. But she appeared to give for a number of terrorist attacks on Western targets, said yesterday forts to cut air services to and from that the hijack had been a great vic
Beirut.

UK investment

BRITAIN's financial services industry was last night urged to formulate proposals for new self-regulatory organisations by the end of the

e SIB and its parallel body, the Marketing of Investments Organis-ing Committee (MIOC), which focuses on pooled investment prod-ucts such as life assurance policies and unit trusts, would receive powers to recognise self-regulatory or ganisations in the autumn of 1986. ers to recognise self-regulator

THE LEX COLUMN

No ribbons for the General

to set the electronics sector moving the right way again will have to look further than yesterday's figures, showing a mere 8 per cent rise at the pre-tax level to £725m. Adat the pre-tax level to £125m. Admittedly better than last year's complete standstill, GEC's almost static trading performance does little to recharge confidence in the

As it happened, GECs share price - unchanged at 168p - gave one of the steadler responses to the results, no doubt because the job-bers had an eye out for the group's next raid on its own equity. Having oeen a substantial buyer at an over all price nearly 50p higher than it would have to pay today, GEC can be expected to smooth things out by further purchases. That prospect at least puts some sort of floor under the shares, presumably at about 160p. Yet the doubt whether there is to be more than a modest profit improvement correspondingly limits the amount of headroom; if GEC can make £780m this year, rating the shares in line with the market

would be represented at the confer-ence, she said, "and will make a constructive contribution on the bawould still leave them almost exactsis of practical proposals rather than vague aspirations." She also ly where they are now. Industrially, the major success is quoted, with some relish, from Ger again Marconi - representing a man and French newspapers which shared her impatience with the oth-er EEC heads of government. third of group sales - where profits are up by almost a fifth. Moreover, there has at last been a worthwhile In reply to questions, however she left open the possibility that Britain might agree to certain amendments to the treaty. "We B. Dick. Yet these pluses are coun-terbalanced by painful news from telecoms, where the transition to System X and troubles with compushall have to consider what is put ters cost about £30m in all. Disap-Mrs Thatcher stressed that the pointingly - on a long-term view summit decision to give priority to the return on GECs cash resources was its strongest source of profit improvement, again vindicating its removal of physical and technical barriers to trade, to a free market in transport and financial services,

Insurance

sector, GEC's cautious investmen

policy is now looking singularly as-

and to freedom of establishment for the professions, was in line with British thinking. Furthermore, the decisions on posuggests that the market has shelved its more ambitious hopes for a second wind. litical co-operation reflected both British proposals "and a Franco-German text which was very simi-

to liberation of capital movements.

before us," she said.

She regretted the "unnecessary delay" over proposals to speed up decision-making, but, while repeat-ing that Britain saw no need to amend the treaty, said it would "naturally" attend the discussions and which do not impair our ability to safeguard our national interests." The setback, she added, was "only temporary – we should not be too

Commons reaction to the state ment was less heated than might have been expected. On the Conser vative side, the opportunity to let off steam during Monday night's EEC Finance Bill debate appeared to have taken the sting out of criticisms aimed by the anti-EEC mem

The abrasive tone adopted by Mr Neil Kinnock, Labour leader - who accused the Prime Minister of a "clumsy failure" in getting the mood of the Milan summit "so spectacularly wrong" - succeeded only in goading Conservative members of Parliament into loud heckling and a more overt display of support for Mrs Thatcher. Indications are that British nego-

tiators at the inter-governmental conference - possibly headed by Mr Malcolm Rifkind, Foreign Office minister of state - will try to steer other participants towards a package Britain can accept.

Before the summit, it was pointed out yesterday, Britain had indicated it had no fundamental objections to the conference. It is also felt that anything the French are prepared to accept in the way of amendments that the change was considered "a to the treaty, Britain can probably sensible evolution of policy." But

Commons debate, Page 8

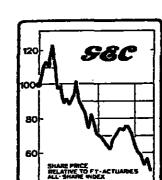
body urges self-regulation

ry organisations by the end of the summer in order to meet the deadline imposed by the Conservative Government's proposed investor protection legislation, writes Barry Riley in London.

Aproximately 100 representatives of a broad spectrum of financial in-

stitutions attended a briefing last night by Sir Kenneth Berrill, chair-man of the Securities and Investments Board (SIB), the body newly
established to regulate Britain's
investment markets.

He told them that he expected



1982 1983 tion through their revenue account, last year's £85m pre-tax loss would been the most handy of profits. No quoted member of the ABI (as it was yesterday renamed) seems inclined to follow suit: but with balance-sheet values still swelling to support growth in premiums without hurting solvency margins, there must remain a temptation to underwrite purely for

cash flow.

From the association's report, it does seem as if the UK and U.S. underwriting cycles concided in their troughs last year and the only way forward is upwards. The 23 per cent increase in U.S. underwriting last return from GECs investment in A. year indicates how premium rates have hardened even if the recovery year for the composites has been pushed back to 1986-87 or later. Meanwhile, the UK motor account shows how suddenly and in-

explicably rate increases can be swamped by claims frequency. Even so, the composites should find their underwriting losses falling reputation as a cash manager at the expense of its image as industrial ment margins begin to sumb expense of its image as in

Taxing bonds

The Government's abolition of capital gains tax on gilt-edged and corporate bonds was long overdue. Not only will it make life simpler for investors - it will also remove the distortion created by institu-UK insurers are being remarkably phlegmatic about the first pre-their gilts to provide an offset for tax loss since the formation of their their gains elsewhere. Under the club - and probably, for that matter, old tax scheme, which exempted

they showed a gain. Either way, the Given that yesterday's measure will pour more money into the tax-man's pocket, it was curious to see the gilt market reacting enthusiastically. The whole market gained about % of a point, with index-linked and low-coupon bonds where capital gains arise most often - rising even more. The immediate feeling was that turnover would increase, although it is hard to see

why a lower level of tax-offset deals should not more or less equal the higher trade in gilts held for less than a year. The most vociferous protesters will be insurance companies, who

use gilt losses to offset equity and property gains. But since the losses often arise from switching which would not have made sense without the tax angle, gross funds who have been standing on the other side of the trades will no longer be able to make such easy money either. It is unlikely, though, that either side's complaints - if they dare complain at all - will bend the ear of the Government. Their case is not a strong

Investors in Industry

The new name and the new image have successfully raised the public profile of Investors in Industry but they have yet to lift the profits. The year to March has produced pre-tax profits almost unchanged at £38.6m, while, taking investments at their market value, the post-tax return on equity has slipped from 5.4 to 4 per cent. All 3's clearing-bank shareholders, with the excep-tion of Midland, achieved more than double that return in 1984.

That might not matter much if the banks were content to let 3i continue along its present path, extending long-term finance for a social as well as a commercial purpose. But, as the 3i chairman implicitly acknowledges in his statement, the company's role may soon be called into question by the plans for a pub-lic listing. While Si is a highly professional organisation, there is not much doubt that its resources could be more profitably redeployed. Yet it would be a great pity if, in resince the invention of the earth-quake. Of course, had other insur-ers been inclined to follow Eagle to form CGT if they were held for more than a year, fund manag-ers sold within 365 days if they a small company for the safe re-Star and take investment apprecia- could make a loss and after a year if turns of the gilt-edged market.

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	For the 52 weeks ended 28th April 1985 £m	For the 52 weeks ended 29th April 1984 £m
Turnover	707.2	692.5
Operating profit	74.8	63.2
Pre-tax profit	65.2	55.2
Earnings per share	15.3p	13.5p
Dividend per share	6.09p	5.37p

THISTLE HOTELS PROFITS UP 95%



SECTION II - COMPANIES AND MARKETS

FINANCIAL TIMES

Wednesday July 3 1985



AGNELLI SEEKS RATIONALISATION IN CAR INDUSTRY

Fiat backs Europe-wide ventures

BY ALAN FRIEDMAN IN TURIN

SIG GIOVANNI Agnelli, chairman of Flat, Italy's largest private sector group, yesterday described as "necessary a Europe wide joint venture agreement in the car industry. Flat now in talks with Ford Europe designed to achieve such an agree-ment.

Speaking after Fiat's annual meeting in Turin yesterday, Sig Agnelli said that Fiat and Ford Europe, each with 12 to 13 per cent of Europe's car market, could become an important combined force with a quarter of the overall European

He said: "We need to achieve economies of scale. A rationalisation of the European car industry is necessary. Whether we can achieve a successful marriage of Fiat and Ford Europe remains to be seen."

Sig Agnelli said that Fiat group sales would rise by 8 per cent this year, which would mean total 1985 turnover of more than L25,700bn (\$13.3bn). He also predicted higher 1985 profits. Last year, the group more than doubled its net consolidated profits to L827bn.

The Fiat chairman declined to of global over-capacity.

say when the Fiat-Ford agreement might be reached, although Sig Cesare Romiti, Fiat managing director, in a recent statement did not of global over-capacity.

Sig Agnelli declined to comment on what form the Fiat-Ford agreement might take — market speculation has centred upon a 50-50 joint in higher priced cars.



Sig Giovanni Agnelli

rule out the possibility of a deal be-Sig Agnelli said the European motor industry as a whole was losing \$1bm a year, while the U.S. car around L4,000bn. This year's total industry last year earned \$10bn and investments would be L2,500bn.

venture between Ford Europe and

venture stemmed from the weak-ness of the European car industry political opposition, Sig Agnelli said there was no justification for the and the need to become more competitive with U.S. and Japanese car ny and that he was "indifferent" as makers. The Fiat chairman ruled out the possibility of any venture his view privatisation functions between a Japanese company, saying ter in the UK than in Italy and that, Japanese industry represents "a as far as he was concerned, "the out the possibility of any venture different civilisation, a different world, a different industrial tradi- sold the better."

Referring to the Fiat-Ford talks, Sig Agnelli said that Fiat's productive systems were better than Flat-Ford talks failed, Sig Agnelli Ford Europe's and that Fiat had more experience in small cars than the U.S. company.

On prospects for this year, the Japanese car makers earned 54bn. Last year, Fiat spent Ll 486bn on The Fiat chairman said that Europe capital expenditure and L669bn on had surplus productive capacity of research and development.

2.5m cars a year, representing half of global over-capacity.

Commenting on EEC measures to limit car exhaust emissions, Sig Ag-

Asked for his view on the con-Fiat's car division, which last year had revenues of L12,878bn, or 54 per cent of group sales.

The need for a Europe-wide joint edett's Buttoni, which has run into edett's Buttoni, which has run into edett's Buttoni, which has run into Italian state owning a food compato who buys SME. He added that in more state companies which are

> When asked whether Fiat would consider a joint venture with anresponded: "When I go out shooting, I think of one bird at a time."

> Commenting on the recent Milan summit, which resulted in a 7-3 split in favour of convening an inter-governmental conference to amend the Treaty of Rome in order to improve Community decision making, Sig Agnelli said the confer-ence idea "is a modest way of proceeding, but the most we can achieve today."

He praised Italian political stability over the past two years and said that recent elections in Italy had

UBS to consider W. German expansion

UNION BANK of Switzerland (UBS) expects to decide by the end of this year how it intends to develop in West Germany. Dr Nikolaus Seun, chief execu-

tive, said yesterday that UBS did not feel "in any hurry" to decide whether it would take over an existing West German bank or set up a new organisation of its

have been sounding out West German banks for possible ac-quisitions but Dr Senn declined to disclose any details.

As a sign of the importance it attaches to West Germany, UBS's bearer shares and participation certificates were introduced on the Frankfurt stock market yesterday through Dresdner Bank, West Germany's second largest

The other two big Swiss banks
- Crédit Suisse and Swiss Bank
Corporation - have already come out into the open with expansionist moves in West Germany. Crédit Suisse took over Grun-

dig Bank, based at Fürth in Bavaria, at the beginning of this year and recently bought into Effectenbank Warburg in Frank-

Swiss Bank Corporation has announced that it plans to set up a fully fledged subsidiary in Frankfurt this year.

Dr Senn said that it was mis-

leading to talk about a Swiss "in-vasion" of the West German financial scene as if the Swiss had only just discovered it. UBS had been active in West

Germany for decades in co-oper ation with local banks, but want-ed to expand its activities abroad and to keep pace with the inter-

Nuovo Ambrosiano initiates plan to seek Milan listing

BY OUR MILAN CORRESPONDENT

NUOVO Banco Ambrosiano, the Milan-based successor to the late Roberto Calvi's Ambrosiano group, is asking Euromobiliare, the invest-ment bank, to place privately its 47 per cent of voting shares in the La Centrale financial subsidiary. The placing will be a key step in Nuovo Ambrosiano's plan to merge with La Centrale and seek a quotation on the Milan bourse later this year.

The merger involves a highly complex operation which at the fin-ish should see a quoted Nuovo Ambrosiano with total capital of around L1,000bn (\$513m), against a current capital base of L754m, and some 60,000 shareholders.

Among the latest developments in the changing shareholder struc-ture of Nuovo Ambrosiano, Credito Romagnolo, a private bank, is to sell half its 8.1 per cent stake to the group of Veneto region banks which has recently become the largest pool of Nuovo shareholders. The owned stake in Banca Cattolica del

NUOVO AMBROSIANO

Banca Popolare di Milano istituto San Paolo di Turino Banca Nacionale del Lavoro Credito Romagnolo San Paolo di Brescia Popolare di Verona Credito Emiliano Banca Antoniana Treviso, Rovigo Popolare di Vicenza

* These stareholders joined in the recent warrant-for-shares everage

100

rise to 21.5 per cent after the Romagnolo acquisition.

The Euromobiliare placing is necessary for two reasons: Nuovo Amblocked by the Bank of Italy from

no to reconsider and go ahead with the La Centrale merger plan.

Nuovo's recent "operation war rant" - under which old Ambrosia 16.2 no shareholders converted warrants issued in 1982 into shares accounts for 19.1 per cent of the eq-uity, in the hands of 36,000 shareholders. The remaining 80.9 per cent of the bank is held by 10 banks, of which two public banks -Banca Nazionale del Lavoro and 3.2 San Paolo di Corino - own 13.5 per

> After Euromobiliare places the La Centrale shares, the 47 per cent of La Centrale will become 20 per cent of the newly listed Nuovo group. Thus, the shareholding structure will change yet again, with the 10 banks' 80.9 per cent

stake dropping to 60 per cent. brosiano cannot (after the merger) hold shares in itself, and an attempt Veneto banks at present hold a total of 17.5 per cent of Nuovo - this will ing which forced Nuovo Ambrosia banks recently failed.

Ford set to make new engines in UK

BY JOHN GRIFFITHS IN LONDON

UK will build an entirely new faminew emission standards for cars and 200,000 units a year.

ly of lean-burn engines, destined to nounced by environment ministers Although the compar go into production in 1987.

Mr Daniel Goeudevert, chief ex- week. ecutive of Ford of Germany, dismore than £100m (\$129m) - would UK and West German politicians

The engines, of 2 litres and with project because of the considerable Deere, the U.S. equipment manusime gine producers in the U.S., said that twin overhead camshafts, are expected an agreement of jobs that may be infacturer, has reached an agreement this study is still continuing.

and unions seeking to secure the erations at the plant.

in Luxembourg at the end of last refused either to confirm or deny that an announcement is imminent. Ford's decision resolves what is the choice of Dagenham gives Ford closed two weeks ago that the pro-ject - in which Ford is investing behind-the-scenes rivalry between laying long-voiced union concern the manufacture and sale of diesel laying long-voiced union concern the manufacture and sale of diesel that it might be retrenching its op-

year convertible for Sumitomo

market.

Bank on the Swiss foreign bond

The World Bank launched issues in both the D-Mark Eurobond mar-

FORD is expected to announce to pected to take Ford well down the volved. Output of the engines, the on the rationalisation of its engine day that its Dagenham plant in the road towards meeting the tough unions believe, could be about division under which it will hand over distribution to Detroit Diesel Although the company last night Allison (DDA), a subsidiary of General Motors.

> The deal was arrived at during engines. The two companies, among the largest heavy diesel en-

Bundesbank may allow CD issues

BY OUR FRANKFURT STAFF

THE BUNDESBANK, West Germany's central bank, is considering allowing banks to issue D-Mark certificates of deposit, but any change in policy is unlikely to come into effect for some months and possibly not until next year.

Bundesbank officials have been rethinking their attitude to certificates of deposit - which are widely used in the U.S. and elsewhere - as part of their desire to strengthen West Germany's competitiveness as a financial centre.

Certificates of deposit are, in efshort-term deposits with banks, As mum reserves.

useful form of short-term money pancial instruments would increase market paper.

One of the questions in West Germany is whether they should be subject to minimum reserve re-quirements, unlike more traditional forms of bank deposits.

Banks must at present set aside a percentage of various types of deposits in minimum reserves.

view that its control of monetary policy-making central council.

policy would be weakened if it allowed banks to issue certificates of in favour of permitting the issuance deposit without requiring them to of certificates of deposit and subfect, receipts issued in return for set aside any corresponding mini-

they can be traded, they have at-tracted increasing attention as a concerned in the past that such fi-eral parliament in Bonn. The central bank has also been require legislative action by the fed

the role of the D-Mark as an international reserve currency, exposing it more to possible fluctuations. For some time, however, the Bundesbank has been taking a more relaxed attitude to this type of argu-

It is believed that the whole question is to be examined at subcommittee level within the Bundes-The Bundesbank has taken the bank before possibly coming to the

Even if the Bundesbank decided jecting them to minimum reserve requirements, such a move would

EEC leads rush for Eurobonds Asea set

BY MAGGIE URRY IN LONDON

MORE new issues flooded into the Independence Day holiday tomor-Eurodollar bond market yesterday, row. with the European Community top-ping the list with a \$350m five-year deal. The mandate was won by so with the mismatch feature. Leh-Bankers Trust International and it man Brothers, which started the is thought that the proceeds are to rush of FRNs with a maximum cou-

give the EEC an all-in cost of (Asia) company. The 12-year bonds around 35 basis points over U.S. are non-callable and pay interest at Treasury securities. The coupon % per cent above the bid rate for was set at 9% per cent and issue three-month Eurodollar deposits in price at 99% with total fees of 1% the London interbank market (Libper cent. The bonds traded just id). The maximum coupon is 12% within the total commissions and per cent and front end fees total 78 traders said the terms looked fair. basis points. Earlier in the day Swiss Bank
Corperation launched a \$100m deal
Yokohama is selling the "cap" on and thus achieving funding at bewhich was well received, trading low London interbank offered rate comfortably inside the 1% per cent

than U.S. Treasuries.

Also well received was a \$100m which is usually cheaper. The maxideal for State Bank of South Australia, led by Deutsche Bank. The fees total 87%. The lead manager issue has a seven-year life and pays a 10% per cent coupon with a par issue price. Fees total 1% per cent and the bonds were trading

Kyowa Bank launched a \$100m seven-year issue with Salomon Brothers as book-runner. The terms were set to give a cost to Kyowa around 45 basis points above sevenyear U.S. Treasuries, with a coupon and the coupon is indicated at 2% of 10% per cent and issue price of per cent - Mitsubishi indicated 3 100%. The proceeds will be swapped. The bonds were trading around the gross fees of 1% per

Fixed rate Eurodollar bonds were International. slightly weaker yesterday, although trading was quiet ahead of the U.S.

Later this week Banca del Gottar-do will launch a SwFr 100m five-

BY OUR FINANCIAL STAFF

largest paper producer, yesterday

be swapped into floating rate funds. pon, led a \$100m issue for Bank of Bankers Trust priced the issue to Yokohama through its Yokohama

Yokohama is selling the "cap" on (Libor). However, investors have had many such issues from which 99% compared to the par issue to choose recently and the issue price. The borrower's name is so was moving slowly, quoted at a level good that it was able to price the deal to yield a few basis points less.

The other floater launched yes-

terday was for Bergen Bank, led by
The bonds, raised in the name of
Merrill Lynch. This totals \$75m and a Cayman Islands subsidiary, have a 10-year life and 10 per cent coupon. They are non-callable. Fees total 2 per cent and Swiss Bank Corporation. Interactional is calculated with the rate refixed every month and the corporation. poration International is sole lead manager.

allowing investors to fund their manager. was quoting the bonds at around

> The convertible sector was enlivened by an issue for Sumitomo Bank - the second of the Japanese city banks to launch a convertible. This, like Mitsubishi Bank's, met strong demand and traded around

> 106 compared to a par issue price. The \$120m issue has a 15-year life and the coupon is indicated at 2% per cent - with a conversion prem-ium likely to be about 5 per cent. Fees total 2% per cent. Book runner on the deal is Sumitomo Finance

Later this week Banca del Gottar-

Further asset disposals by Champion

for U.S.

ket and on the French domestic bond market. The DM 600m issue was led by Deutsche Bank and has a 10-year life with a 7 per cent coua subsidiary of Barry Wright of the U.S., with annual sales of \$20m. The price has not been disclosed. pon and 99% issue price. It was well received and traded around 98%,

The FFr 1bn deal was led by Banque Paribas and is the World Bank's first on the French domestic market. This has a 12-year life and a coupon of 10.90 per cent with the issue price set at 99.67. It is nonle, and the yield to maturity is

10.95 per cent. The World Bank is also due to sign a Y50bn 12-year Samurai bond issue, managed by Yamaichi Securi-

D-Marks bonds were unchanged or slightly better yesterday, though turnover was low. Swiss franc foreign bonds were also quiet yester-day, with the market beld back by the lack of a fall in short-term interest rates. Olivetti's SwFr 100m 10year issue, with a 51/2 per cent cou-pon, started trading yesterday, closing at around 99% compared to the

100½ issue price. Crédit Suisse announced a SwFr 100m private placement for Canada Development Corporation with a five-year life and a 6% per cent coupon. Issue price was set at 100. UBS set the final terms for Nippon Telegraph and Telephone's SwFr 150m 10-year deal at a 5% per cent coupon and 99% issue price compared to the indicated yield of

5% per cent. United Technologies, the U.S. diversified engineering group, is raising F1 100m on the Euroguilder bond market with a five-year issue led by ABN. The coupon was set at 7 per cent and issue price at 100.

International bond service,

acquisition

ASEA, the Swedish electrical and electronics group, has signed a let-ter of intent to acquire Parametrics,

well inside the 1% per cent selling Parametrics is a leading manuacturer of electronic speed controls for low and medium power electric motors. The main applications for control, factory automation and energy conservation fields, which Asea has targeted as business pri-

> "Parametrics will substantially increase our activities within this market," says Mr Sune Carlsson, Asea's executive vice-president.
> "We will also obtain a broader technical and commercial base for inautomation." He added that Parametrics' marketing organisation would play an important role in Asea's future expansion in this

> The company has three manufac-turing facilities in Connecticut and 300 employees.

BHF Bank for full year By Our Financial Staff

ter Bank, West Germany's biggest merchant bank, said yesterday that satisfactory results were expected for the current year.

nounced plans for a DM 76.2m (\$25.1m) rights issue, said parent bank partial operating profits for the first five months of 1985, excluding trading, were fully maintained. Parent bank partial operating profit was DM 51m for the five months compared with a similar figure representing %2 of the full

Interest surplus was DM 95m and commission surplus DM 47m, against DM 91m and DM 45m re-

The bank said trading results were strong in securities and currency business and full operating profit was markedly higher comThis announcement appears as a matter of record only.

New Issue

Canadian \$75,000,000

GENSTAR FINANCIAL **CORPORATION**

11¾% Debentures due June 28, 1995

Issue Price 100%

Wood Gundy Inc.

Amro International Limited Banque Générale du Luxembourg S.A. **Credit Suisse First Boston Limited**

Generale Bank Handelsbank N.W. (Overseas) Limited Merrill Lynch Capital Markets

Shearson Lehman Brothers International S. G. Warburg & Co. Ltd.

Dominion Securities Pitfield Limited Bank of Tokyo International Limited Berliner Handels- und Frankfurter Bank Crédit Lyonnais Dresdner Bank Aktiengesellschaft

Orion Royal Bank Limited

Hambros Bank Limited

Lloyds Bank International

Yamaichi International (Europe).

Manufacturers Hanover Limited Salomon Brothers International Limited **Swiss Bank Corporation International Limited** Yasuda Trust Europe Limited

Bank America Capital Markets Group Bank Gutzwiller, Kurz, Bungener (Overseas) Algemene Bank Nederland N.V. Bankhaus Hermann Lampe Bank Leu International Ltd. Bank of Montreal Bank J. Vontobel & Co. AG Banque Bruxelles Lambert S.A. Banque Indosuez Banque International à Luxembourg S.A. Banque Nationale de Paris

Barring Brothers & Co., H. Albert de Bary & Co. N.V. Bayerische Hypotheken- und Wechsel-Bank Bayerische Landesbank Girozentrale Bayerische Vereinsbank
Aktengesellschaft
Aktengesellschaft Crédit Commercial de France Dai-Ichi Kangyo International

Crédit du Nord Creditanstalt-Bankverein European Banking Company F. van Lanschot, Bankiers N.V. Genossenschaftliche Zentralbank AG Girozentrale und Bank der österreichischen Sparkassen Vienna Hill Samuel & Co. Goldman Sachs International Corp. IBJ International Kidder, Peabody International

Midland Doberty LTCB International Mitsubishi Finance International McLeod Young Weir International Mitsui Finance International Samuel Montagu & Co. Morgan Guaranty Ltd Morgan Stanley International Nederlandsche Middenstandsbank nv Nesbitt, Thomson The Nikko Securities Co., (Europe) Ltd. Nomura International PK Christiania Bank (UK) Ltd. Sal. Oppenheim jr. & Cie. Österreichischen Volksbanken Pierson, Heldring & Pierson N.V.

Lévesque, Beaubien Inc.

Kredietbank International Group

Richardson Greenshields of Canada (U.K.) Prudential-Bache Securities International J. Henry Schroder Wagg & Co. Sarasio International Securities Limited Sanwa International Schweizerischer Hypotheken- und Handelsbank Sumitomo Finance International Standard Chartered Merchant Bank The Taiyo Kobe Bank (Luxembourg) S.A. Toronto Dominion International Limited Union Bank of Switzerland (Securities)
Limited

Westfalenbenk

ļune 1985

Kleinwort, Benson

Vereins- und Westbank

pared to 1/2 of 1984. The end-May balance sheet stood

On the paper products side, Champion announced the sale of its Hennepin Paper Company subsidtails of the value of the deal. iary of Carlyle Investments, of Connecticut, and the proposed sale of

case was a price divulged. Champion also announced plans

announced a further series of asset disposals as part of a continuing dito sell some of its construction mavestiture programme intended to terials interests, forming part of its reduce the \$1.2bn debt incurred Wheeler division, to a new company when the company bought St Regis formed by a group of private inves-tors and including some members of the present management. In this case, too, the company gave no de-

In mid-May, St Regis Interna- St. Regis contribution.

CHAMPION International, the U.S. its kraft paper mill at Tacoma, tional the UK arm of St Regis, was forest products and building materials group which is now the world's per of San Francisco. In neither largest transactions of its kind ever

carried out in Britain. Champion acquired St Regis as a of last year in response to a hostile Murdoch's News Corporation. Champion agreed to pay \$1.8bn,

bought out by its management for some £30m (\$39m) in one of the

bid for the company by Mr Rupert and saw its newly consolidated earnings rise by 50 per cent in the first quarter of this year, thanks to

confident

BERLINER Handels-und-Frankfur-

The bank, which in January an-

spectively. Personnel costs rose to DM 61m from DM 57m and other operating costs moved up to DM 30m from DM 28m.

DM 12.5bn against DM 11.5bn at the close of 1984.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The

OTHER STRANGHTS
Australia 13" 90 SA
Australia 13" 90 SA
Australia 13" 92 SA
Westipec 13" 88 SA
British Columbia 12 60 CS
Can Nat Rati 12" 95 CS
Chysler Cred 12"a 83CS
Desyarders 12": 90 CS
Genstar Fin 11" 95 CS
New Branswich 13"a 95 CS
New Branswich 13"a 95 CS

INTERNATIONAL COMPANIES and FINANCE

CANADIAN SECURITIES FIRMS TAKE PART IN RISKY TRANSACTION. IN FINANCIAL MARKETS

How 'bought deals' sharpen competition

TWO TORONTO securities firms paid for - to use our professional earned about C\$5m (U.S.\$3.68m) in marketing judgment," says Mr earned about C\$5m (U.S.\$3.68m) in less than 24 hours last week by tak-

ing part in a risky type of transaction that has become increasingly popular in Canadian financial mar-Dominion Securities Pitfield (DSP), the largest Canadian investment dealer, and Gordon Capital ment dealer, and Gordon Capital Securities, widely regarded as among the most aggressive, ma-naged to distribute to institutional investors, retail clients and other brokerage firms a total of 11.4m or-

dinary shares of Canadian Pacific, the major transport, communications and industrial group. The two firms bought the shares from Pow-er Corporation, the Montreal-based investment holding company, and from its 40 per cent owned affiliate
Consolidated-Bathurst. Power was
CPs second largest single shareholtime involved in preparing a new is-

DSP and Gordon Capital are among underwriters forces deciwidely acknowledged to have sions to be taken quickly. scored a coup. They bought the CP shares, worth a total of C\$218.8m at C\$19.25 each, and were able to sell be wrong." Not surprisingly, dealers share higher. That's what we're where they have had to struggle to

James Pithlado, DPS's chairman. The deal with Power was one of the biggest of the proliferating number of so-called "bought deals" that have sharpened competition in the Canadian securities industry, cut across traditional loyalties be tween issuers and underwriters and significantly increased the risks

facing securities firms. The mark of the bought deal is the outright purchase of an entire debt or equity issue by a small group of investment dealers, and sometimes by a single firm. Participants seldom have an opportunity to follow the traditional course of "pre-marketing" an issue to test the investment climate thoroughly. sue, while strong competition

most of them at up to a dollar per are reluctant to discuss the issues

dispose of their holdings. A CS100m issue of convertible debentures bought recently by Wood Gundy from Canada Trust is said to be selling slowly. As the head of one syndication department puts it: "When you sell something at a major loss, you don't announce that."

The growing popularity of bought deals is an indication, however, that there have been many more successes than failures so far.

Wood Gundy claims to have pioneered the concept in Canada three years ago in an issue for Macmillan Bloedel, the West Coast forest products company. Mr Gordon Homer, Wood Gundy's new issues director, estimates that between a third and a half of private sector debt and eq-uity offerings last year were bought

Those completed so far in 1985 include a C\$75m debenture issue by Westcoast Transmission, Vancouver pipeline operator, and a C\$32m issue of preferred shares by Torstar, a Toronto newspaper and book publishing group.

On the beels of the Power deal, Macmillan Bloedel announced late

last week that it had sold CS50m of Gordon Capital agreed with the oreferred shares to Dominion Secu-Toronto and Montreal stock exchanges to distribute at least 10 per rities, Richardson Greenshields and Pemberton Houston Willoughby. cent of the Canadian Pacific shares Trizec, the Calgary property developer, has completed two bought deals this year, the latest being a through other members of the two exchanges.

The fierce competition to partici-

C\$60m issue of preferred shares to DSP and Merrill Lynch Canada. pate in bought deals may in fact have hurt the large firms more than Bought deals obviously favour the larger securities firms with the have plummeted resources to buy and, if necessary, hold on to large blocks of debt or equity instruments. Six Toronto firms

— DSP, Wood Gundy, McLeod Young Weir, Nesbitt Thomson, Burns Fry and Gordon Capital - are Traditional loyalties have wilted

ELB. 12.85
E1B. 13.96
E1B. 13.96
E2port Dev Corp 12.89
Ford Motor Cred 11% 93
Ford Motor Cred 11% 95
Gen Ber, Credit 10% 00
GMAC 10% 88
BM Credit 10% 2000
Indust Bi, Japan 12% 89
Japan Air Lines 13% 94
KeSogg Company 10% 90
KeSogg Company 10% 90
KeSogg Company 11% 95
Melon Bank 13.87
Merrill Lynch 12% 89
Milmestoz 11% 87
Missai Trust 17% 90
Morgan Gusranty 12% 89
Nipon Cred Bit 13% 89
Resiston Purina 12% 89
Resiston Purina 11% 85
Resiston Purina 11% 85
Resiston Purina 11% 89
Sesialathewan 10 3/4 93
Sastol 13% 88
S Wales Trey 11% 93
Sand Erroy 11% 93
Sand Erro Tred 10 92 as issuers are sometimes given only a few hours to reply to attractive proposals from aggressive securities firms trying to pick up some new business. Mr Homer of Wood Gundy complains that "issuers seem to be interested only in performance on the day. Other services don't seem to count for much."

U.S. DOLLAR
STRAIGHTS
Ames Credit 10's 90
Ames Credit 10's 90
Ames Credit 10's 90
Ames Credit 10's 91
Be Capital 11's 92
Catsel 8 11's 93
Catsel 8 11's 91
Dermark Kingdom 11's 93
Dermark Kingdom 13's 91
Dermark Kingdom 13's 91
Dermark Kingdom 13's 91
Dermark Kingdom 14's 91
EEC. 11's 90

S Wales Trsy 11¹⁴ 90 Swed Exp Cred 10 92 Swed Exp Cred 12¹⁴ 83XW Sweden Kingdom 107₈ 90

The Power Corp transaction was an example. Power has a long asso-ciation with Nesbitt Thomson, which just a month ago lead-man-aged a CS110m common share issue Power Financial. But when Gordon Capital made an offer to buy Power's CP shares, it was not refused Gordon Capital then asked Domin-Corp deal, for instance, DSP and ion Securities to join it.

Freight reductions hit CSX in first half

BY TERRY DODSWORTH IN NEW YORK

CSX, the U.S. rail company, blamed piles in anticipation of a coal min-the "lacklustre" economy and lower ers' strike. coal traffic for a 11 per cent decline in second-quarter earnings from manufacturing sector also fell by 4 \$146m, or 98 cents a share, to per cent in the six-month period, \$130m, or 87 cents a share.

Figure 146m, or 98 cents a share, to per cent in the six-month period, reflecting general economic condi-

estimated to account for about 90

Smaller companies have man-

aged to take some crumbs from the table, however. Bell Gouinlock, one

of the medium-sized Toronto invest-

ment dealers, recently bought CS1m

of preferred shares from a small

In addition, the large firms have

at times either been compelled or

willing to distribute some of their

holdings to others. In the Power

per cent of the business.

Sales also fell in the quarter from \$1.44bn to \$1.36bn, while in the first half of the year they were down from \$2.79bn to \$2.65bn. In the sixmonth period, earnings fell by 16 cost-reduction programme this year per cent from \$261m, or \$1.77 a share, to \$222m, or \$1.48.

Coal transport showed a 10 per cent decline in the first six months. the company said, mainly because

Freight traffic originated by the reflecting general economic condi-tions, while the gas pipeline busi-ness suffered a 19 per cent drop in volume because of warmer weath-

CSX says it has embarked on a which cut operating expenses in the first half by \$203m, or 6 per cent, Over the rest of this year, it ex-

from the previous year's level. pects earnings to continue below in the corresponding period a year the 1983 level to the end of the third earlier, electricity generating com-panies were building large stock-ly in the final three months.

DEUTSCHE MARK
STRANGHTS
Asian Dev Bank 8 94
Austria,Republic 7% 94
Bander Travenol 7% 94
Crooti National 8% 94
Degussa tot Fin 7½ 94
EEC 8 92
EIB. 7% 94
Encom R 60 ELB. 71 94
Escora 8 92
Ferrovice Delto Stato 8 91
Furiand Republic 7 92
Goold Int Fin 72 97
Ireland 89 92
Japan Fin Corp 79 91
Massubshi Hvy 312 89MW
Massubshi Hvy 313 89MW
Massubshi Hvs 318 89MW
Massubshi Met 318 89MW
Pepsico Ors Fin 712 94
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Change on the property of the Carry week Yield 9 + 012 5.38 + 014 - 034 5.49 - 036 + 014 6.19 4 0 + 012 5.72 Alrican Dev Bit 6¹⁴ 94 Avon Cap Corp 5¹⁹ 94 Brit land Comp 6¹⁷ 99 Council of Europe 6 92 Creditanstalt 5¹² 94 Deutsche Bit Fin 5¹⁸ 95 F18 5¹⁸ 95 Deutsche Bk Hill 3* vo E.L.B. 5% 54 Export Dev Corp 5*9 92 Gen Occidentale 4*2 94 I C Industries 5% 94 Int — Am Dev Bk 6*9 94 Int — Am Dev Bk 6*9 94

NZ Forest 15th 82 NS No Monkerth 15th 81 NS NZ Cort 8th 92 ECU Pabobank 9th 92 ECU Pabobank 9th 92 FCU Putipa Lamps 7th 90 FL Rank Xerox 8 90 R. Van Lanschot 7th 90 FL Rank Xerox 8 90 R. Van Lanschot 7th 90 FL Rank Xerox 8 90 R. Van Lanschot 7th 90 FL Rank Xerox 10th 92 S. Australia Corn 11 92 S. Rastralia Corn 11 92 S. P. Gaptai 10th 92 S. E1B. 11th 93 S. Norsk Hydro 11th 92 S. Norsk Hydro 11th 90 S. Norsk Hydro 11th 90 S. Norsk Hydro 11th 90 S. Seed Exp Corn 11 92 S. Forest 11 92 S. Seed Exp Cred 11th 93 S. Seed Exp Cred 11th 93 S. Seed Exp Cred 11th 93 S. World Bank 11th 95 S. E.C.S.C. 10th 94 JF. Rat Lux Akars 11th 95 S. E.C.S.C. 10th 94 JF. Rat Lux Akars 11th 92 S. H. Lux Akars 10th 92 L. F. FLOATING RATE FLOATING RATE HOATENG MALE
MOTES
BBL Int 5 BB
Sanco di Roma 5¹⁴ 92
BenkAmerica C/S 5¹⁴ 96
Bank of Montreal 5 96
Banker Trust 5²⁰ 96
BLF.CE 5² 99
B.N.P. 5¹⁴ 96 (July)
C.C.F. 5¹⁴ 97
Corese Man'in 5¹⁴ 2009 Chase Man in 5" 2009 Cheory O.5" 95 Sep Cradit Lyonnels 5" 95 Drescher Fin 5" 99 Ireland 5" 99 Exty, Republic 5 94 Lloyde Euro 5 2004 McCland Bank Perp 5 Nat West Perp 5 Nat West Perp 8 5" S Nat West Perp 8 5" 96 Oueenstand Coal 5¹4 96 Roy Bk Scot 5¹4 2005 £ Criv. Criv.

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7784 1182 980 161
2985 602 1177e 1187e
1784 2251.2 257e 257e
1885 1285 987e
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Missibeshi Elec 2*e 00
Marus 3*2 99
Murata 3*2 99
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Nippon Oil Co 3*2000
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Onest Leasing 5*3 99
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Sony Corp 2 2000
Sumdomo Corp 2*e 99
Tanyo Yuden 3*2 2000
Talvoda Ragas 5*e 2000
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Straight Bonds: The yield to redecupion of the well-prior; the sea in millions of currency waits extent for You bands where it Charge on week — Change near price a mask cartier.

New Issue

\$75,000,000

(3,000,000 Shares)



Westcoast Transmission Company Limited

81/4 % Cumulative Redeemable Convertible Second Preferred Shares, Series A

The Convertible Preferred Shares will be convertible into Common Shares of Westcoas: Transmission Company Limited at any time prior to the close of business on June 26, 1995 at a conversion price of \$19.40 per Common Share subject to adjustment in certain events.

Price \$25.00 per share

Capital Markets

International

Every Monday the Financial Times publishes a review of the previous week's activity in the international bond mar-

This synopsis of the Euromarkets together with a comprehensive tabular list of current international bond issues offers the reader a thorough weekly study of one of the most important financial mechanisms in the world today. In addition the Financial Times publishes a monthly summary of Quotations and Yields from the Association of International

All of these securities having been sold, this announcement appears as a matter of record only.

NEW ISSUE

June 1985

June, 1985

2,700,000 Shares



Common Stock (\$.50 Par Value)

WERTHEIM & Co., INC.

BEAR, STEARNS & CO.

DILLON, READ & CO. INC.

GOLDMAN, SACHS & CO. KIDDER, PEABODY & Co. THE FIRST BOSTON CORPORATION

ALEX. BROWN & SONS DREXEL BURNHAM LAMBERT

Hambrecht & Quist LAZARD FRÈRES & Co.

DONALDSON, LUFKIN & JENRETTE E. F. HUTTON & COMPANY INC.

MERRILL LYNCH CAPITAL MARKETS

MONTGOMERY SECURITIES MORGAN STANLEY & CO. ROBERTSON, COLMAN & STEPHENS

PRUDENTIAL-BACHE PAINEWEBBER L. F. ROTHSCHILD, UNTERBERG, TOWBIN

SALOMON BROTHERS INC.

SMITH BARNEY, HARRIS UPHAM & CO.

DEAN WITTER REYNOLDS INC. A. G. EDWARDS & SONS, INC.

ADVEST, INC. WILLIAM BLAIR & COMPANY

Moseley, Hallgarten, Estabrook & Weeden Inc.

OPPENHEIMER & CO., INC.

THOMSON McKINNON SECURITIES INC.

Tucker, Anthony & R. L. Day, Inc.

WOOD GUNDY CORP.

Svenska Handelsbanken

US\$ 100,000,000 12%% Notes 1989

NOTICE IS HEREBY GIVEN that pursuant to Condition 4 (b) of the Notes, US\$ 4,000,000 principal amount of the Notes has been drawn for redemption on 2nd August 1985, at the redemption price of 101% of the principal amount, together with accrued interest to 2nd August 1985.

The serial numbers of the Notes drawn for redemption are as follows:--

the Notes drawn for redemption are as follows:—

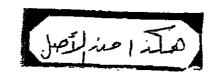
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On the 2nd August 1985, the said redemption price will become due and payable upon each Note to be redeemed, together with accrued interest from 20th February 1985 to 2nd August 1985 amounting to US\$ 278.44 per US\$ 5,000 Note. On and after that date, interest on the said drawn Notes will cease to accrue.

Payment of the Notes to be redeemed will be made on or after 2nd August 1985 upon presentation and surrender of the said Notes, with all coupons appertaining thereto, at the office of any of the Paying Agents mentioned

> Bankers Trust Company, London Principal Paying Agent

3rd July 1985



INTL. COMPANIES & FINANCE

Thais sift ruins of Mae's pyramid

IN AN air force enclave on the outskirts of Bangkok, under the Details of how the sheeme roof of a cavernous basketball hal, policement sit at a dozen desks methodically dealing with

desks methodically dealing with complaints about Thailand's most publicised financial scandal

Scores of well-to-do air force officers and middle class civilians patiently give details of the savings they willingly handed over to a "chit fund" on promises of fantastic returns. Many stand to lose everything they own, having mortgage their houses to raise funds to deposit, and the scheme itself has been

land in late 1983 and 1984 At the heart of the scandal is Mras Chamoy Thippso, popularly known as Mae Chamoy. She is the wife of a former air force of the control of th force officer and once a govern-ment clerk, and last year appeared regularly on the front pages of local newspapers and attended royal functions.

company crisis which hit Thai-

She is now being held by the police crime suppression division and as local, reports rather eerily put it, "being given maximum security to prevent any murder attempt." One account says her former clients have been given the names, addresses and telephone num-bers of her relatives, who are

vague. Depositors, including many air royal decree.
force personnel, received Protests i

pyramid schemes, it made the courageous but necessary decision to ban the funds by Protests followed, notably

protected, a feeling reinforced by assertions from General Arthit Kamlang-Ek, the mili-tary's supreme commander, that

the scheme could continue.

interest payments equivalent to from certain quarters of the just over 6 per cent a month. powerful military, and it was Amounts ranging from several at this time that Mae Chamoy Depositors in Mae Chamoy's "chit fund"

scheme face losing everything reports

Chris Sherwell in Bangkok

thousand to several million baht herself was seen more and more (as must as \$100,000 each) were put in, and these would double in 16 to 17 months, provided the "pyramid" of depositors kept growing.

The scheme had operated for years before it came to public light in the wake of a liquidity crisis which convulsed Thailand's less well-backed finance companies. It emerged that ever larger numbers of the public ways chiffing money into public were shifting money into funds like Mae Chamoy's—at one point the size of her fund alone was put at up to 8bn baht which, if true, made it a financial force to be reckoned with.

In March she vanished for the best part of three months only to resurface and be held "for Bankers complained, and the Government itself called the funds a threat to public order. her own protection" by the air clients Recognising the dangers of such force while still trying to police.

It has also emerged that 4bn baht held by Mae Chamoy in regular bank accounts up to January this year has dis-appeared. Depositors who had

already given up on interest payments but hoped to retrieve their principal thus face the loss of everything, while the suspicion persists that certain important clients, including institutions, have managed to get their deposits back. Although the losses may seem like an inevitable consequence of unrestrained greed, the social publicly As a result everyone presumed she was safe and well-

lapse could be severe. Bangkok's middle class, and the Thai air force officer corps, have suffered embarrassment as well as hefty financial penalties, a potentially combustible combination. As for Mae Chamoy, she

To prevent any panic run she offered verbal assurances to her clients saying her fund would last 20 years. But the Govern-ment—in particular Mr Sommai appears to have been thrown to the wolves. She will almost certainly be tried for fraud and breaking the ban on chit funds. She will probably be sentenced Hoontrakul. the Finance Minister—was adamant. The ban took hold, and Mae Chamoy to several years in jail. Though her greatest defence is her knowledge of the true master-minds behind her ultimately imfound it increasingly difficult to possible scheme, right now she looks as helpless as her former clients now complaining to the

A wholly owned subsidiary of

Midland Bank plc

has acquired the remaining outstanding common stock of

Crocker National Corporation

We acted as United States (inancial advisor to Micland Bank plc.)

Goldman, Sachs & Co.

New York Boston Chicago Dallas Detroit Houston Los Angeles Memphis Miami Philadelphia St. Louis San Francisco London Hong Kong Takko Zurich

June 20, 1986



Dunlop India profit fails to cover dividend

make her payouts.

DUNLOP INDIA, now under the effective control of Mr R P Goenka, a local industrialist, has reported a further profits serback for last year from an already had 1963 performance, writes P. C. Mahanti
On sales down from Rs 3.2bn (\$258.2m) to Rs 3bn, the net earnings of Rs 17.1m were in-

Presidential Address

95th Annual General Meeting of the Chamber of Mines of South Africa

AT&T in telecom venture with Fujitsu and Hitachi

BY YOKO SHIBATA IN TOKYO

FUJITSU and Hitachi, Japan's dicted to total Y300bn in the two major computer makers, are current financial year, and to to participate in a value added expand by more than 20 per to participate in a value added network (VAN) telecommunications joint venture with Ameri- by 7990, according to Fujitu. can Telephone and Telegraph (AT&T).

will be linked in Japan ENS, a up by these competitors: joint venture company to be Common carriers that formed by AT&T and 16 Japa-nese partners including the Industrial Bank of Japan (IBJ) and Mitsui & Co., the trading bouse.

Nationwide VANs where special operators can serve an

seek government permission for a service of as yet; unspecified extents which it hopes to both by this autumn at the earlierst. Smaller van series for specific Fujitsu and Ritachi are expected to provide technical computer users, o rintra- or assistance for the service, called inter-company use. Operators of assistance for the service, called "NET 1,000," and will co-operate in marketing

Following the deregulation of the country's telecommunica-tions market from last April, VAN services such as these are expected to form the largest are of commercial opportunity for domestic and foreign com-

Bank Bumiputra loans to

THE MALAYSIAN authorities auditor-general heads a three-

"abnormal" loans extended by the state-owned Bank Bumiputra than \$15n in irrecoverable loans

Malaysia to the now defunct made by BMF.
Carrian Group of Hong Kong, He made the comments after
Reuter reports from Kuala submitting the committee's

Carrian totalled \$292m

cent annually to some Y800bn The Government has delini-

ated three types of communica-tions networks that can be set

 Common carriers that own. operate and lease public com-munication circuits.

unspecified number of sub-

these need only submit noti-fication to the ministry.

By the time the network goes into operation, the financial contribution by AT&T is projected to account for half the total Y10bn (\$40.4m).

fication to the ministry.

A total of 118 companies including IBM Jaan, a wholly owned subsidiary of the U.S. computer group, to register these fast "general type two" telecommunications operations, where requirements for facili-ties, technology and supervision are much less rigorous than the "special type two" business which AT&T and its partners seek to enter.

for domestic and foreign companies in the sector. Even though Nippon Telegraph and thitachi, which account for Telephone (NTT), the former state monopoly, will remain the Japanese computer market, will main supplier other operators form a formidable alliance. In third of Japan's VAN market ask Toshiba to join in the for special services. This is premarketing of the service.

submitting the committee's latest confidential brief on the loans to Bank Bumiputra. This

loans to Bank Bumiputra. This
is the third part of a report
which has yet to be finalised
and made public.
Last January the committee
accused six BMF executives of
corruption and called on the
authorities in Malaysia and in

authorities in Malaysia and in
Hong Kong to investigate and
charge them in court. The
executives have since resigned.
In September Petronas, the
national oil company, balled out
Bank Bumiputra by taking on
its debt and injecting \$130m.

Mining: Record earnings in a difficult year

This is an abridged version of the Presidential address given by Mr. G. Y. Nisbet at the 95th Annual General Meeting of the Chamber held in Johannesburg on June 25,



For the South African mining industry and for South Africa the past year has been characterised by paradox and irony: in the face of difficult market conditions the mining industry has achieved record earnings, while at the political level, the Government's reform initiatives have met with domestic unrest and negative response abroad.

The comparative success achieved by the mining sector, with favourable exchange rates boosting revenues in 1984 by 17 per cent to a record R19 000 million, was the only highlight in an otherwise unsatisfactory year for the South African economy. Although the real gross domestic product increased by 4.5 per cent in 1984, almost all the growth occurred in the first quarter of the year and was followed by six negative months accompanied by accelerating inflation and growing unemployment.

The widespread domestic unrest and violence in recent months would seem to stem from a complex mixture of factors. including genuine frustration,

disillusionment and sheer economic hardship among blacks, and in these circumstances deliberate efforts to destabilise the black community and to create a revolutionary climate in fertile

I believe that these negative attitudes among the black population could be changed once the Government, which is committed to progressive social, economic and political reform, gets more actively to grips with the fundamental issues in purposeful discussion with black leaders who enjoy the genuine support of their communities.

MINERAL SALES

Gold is by far the most important sector of the South African mining industry, employing nearly 70 per cent of the total workforce and earning over 60 per cent of all mining revenues. For the gold mines 1984 was a mixed year, with the average dollar price of gold falling by nearly 15 per cent from \$425 in 1983 to \$361 an ounce in 1984, but with output expanding and rand revenues reaching a record R11 560 million, some 13.6 per cent higher than the previous year.

Coal, which in recent years has become the second largest revenue earner after gold, last year recorded an increase of no less than 30.8 per cent in the value of sales which reached R3426 million.

For both silver and diamonds 1984 was a poor year for producers with the value of sales of both minerals declining sharply, despite the falling value of the rand. Silver sales for 1984 at R66 million were 6.8 per cent down on the previous year and diamond sales valued at R518 million, some 3.6 per cent below the previous year's figure of R538 million. South African producers of platinum group metals experienced a good year in 1984 despite substantial falls in the dollar price of platinum and palladium. Revenues were boosted not only by the falling value of the rand but also by dramatic increases in the price of the lesser ' PGMs with osmium, for example, recording an extraordinary five-fold increase in price

during 1984.
Sales of metals and minerals other than gold, silver, diamonds and coal in 1984 were valued at R3438 million, some 21 per cent more than the previous year's figure of R2838 million. Of the major items in this sector only asbestos figures showed a decline, with sales valued at R101 million, 8.2 per cent lower than the previous year's figure of R110 million. A general improvement in economic activity amongst OECD countries provided a tentative but welcome boost to the demand for base metals in 1984, providing South African suppliers with firmer dollar prices and substantially improved rand earnings. In contrast to a dismal 1983, metals associated with the ferrous industries, especially manganese, chrome and titanium, did particularly well in 1984 with volumes, prices and revenues well up on the previous year.

GOLD PROMOTION AND MARKETING

In yet another difficult year for the world gold market, the third in succession since 1982, the gold mining industry can be well satisfied with substantial increases in gold consumption in both the jewellery and industrial demand sectors, respectively. On the other hand it was a particularly depressing year for the investment sector as is reflected by the 25 per cent decline in Krugerrand sales. This year promises to be even better than 1984 for industrial gold demand, but until the U.S. dollar reverses its upward trend and inflation again becomes a matter of concern in the minds of consumers in Western Europe. the United States and Japan, gold will remain unattractive to the investment community.

EMPLOYMENT AND WAGES

While most sectors of the economy faced severe economic recession in 1984 the level of employment in the South African gold mining industry reached an all-time high and wages for the black workforce continued to increase in real terms.

The South African mining

industry as a whole relies on a high proportion (about 90 per cent) of unskilled and semi-skilled black workers who are drawn from throughout Southern Africa. The importance of this in

human terms to South Africa and its neighbouring countries or but in random statistical terms mining and quarrying in 1984, with a workforce of 717 000:

- Accounted for one in every seven people in active employment in South Africa outside of agriculture;
- Contributed, directly and indirectly, about 18 per cent of South Africa's gross domestic product; Provided a lifeline estimated at
- R1 billion to labour-supplying territories through wages and savings remitted home by mineworkers; and
- Ensured the economic survival of about 3 million dependents of black mineworkers.

ECONOMIC OUTLOOK Although the domestic economy

is likely to remain under severe pressure over the next year, there are indeed signs of improvement. There is now a definite trend towards lower short-term interest rates. Eventually this must place downward pressure on long-term rates as well. There has been a recent predominance of bullish sentiment on the Johannesburg stock market, which suggests a renewed confidence about the outlook for the economy. Perhaps these are straws in the wind, nut it would be foolish to disregard



The full text of this address is available from: The General Manager Chamber of Mines of South Africa P.O. Box 809 **JOHANNESBURG 2000** SOUTH AFRICA

Wells Fargo & Company

Bumiputra Malaysia Finance (BMF), a subsidiary of the bank made loans to Carrian totalling US\$292m between December 1979 and June 1980, according to Tan Sri Ahmad Necessia the country's auditor.

Noordin, the country's auditor

abnormal because they were given to just one company

within a short period of time

and made against normal bank-ing practices," he said. The

"The loans were highly

U.S. \$200,000,000

Floating Rate Subordinated Notes due 2000

In accordance with the provisions of the Notes notice is hereby given that for the Interest period 3rd July, 1985 to 5th August, 1985 the Notes will carry an Interest

Rate of 774% per annum. Interest payable on the relevant interest payment date

5th August, 1985 will amount to US\$72-19 per US\$10,000 Note and US\$300-94 per US\$50,000

> Agent Bank: Morgan Guaranty Trust Company of New York London

Trafalgar Housing back

in the red By Our Financial Staff

TRAFALCAR HOUSING, the debt-burdened property developer, returned to net losses in the year to March despite more than trebling its turnover. The attributable deficit of HK\$2.88m (U.S.\$371.000) compared with profits the previous year of HK\$15.20m. The 1983-84 result was struck, however, after extraordinary credits of HK\$43.88m. Turnover was HK\$197.73m against HK\$58.48m.

Trafalgar Housing, which has no connection with Trafalgar House of the UK, has been marketing Macao property as a means for Hong Rong investors to obtain Portuguese residence





AUTOPISTA CONCESIONARIA ASTUR-LEONESA, S.A.

US\$175,000,000

Medium Term Transferable Loan Facility Guaranteed by THE KINGDOM OF SPAIN

EMPRESA NACIONAL DE AUTOPISTAS, S.A.

Arranged by

Bank of Tokyo International Limited Lead Managed by

BANCO EXTERIOR DE ESPANA BANK OF TOKYO INTERNATIONAL LIMITED

CAIXA DE BARCELONA GRINDLAYS BANK p.l.c. ISTITUTO BANCARIO SAN PAOLO DI TORINO NATIONAL WESTMINSTER BANK GROUP SANWA INTERNATIONAL LIMITED

THE TOKAI BANK, LIMITED

THE BANK OF NOVA SCOTIA GROUP BANQUE DE LA SOCIÉTÉ FINANCIÈRE EUROPÉENNE

SFE GROUP
CHARTERHOUSE JAPHET pic
GULF INTERNATIONAL BANK B.S.C. THE MITSUBISHI BANK, LIMITED THE NIPPON CREDIT BANK, LTD. SAUDI INTERNATIONAL BANK THE YASUDA TRUST AND BANKING COMPANY, LIMITED

BANCO DI ROMA INTERNATIONAL S.A.

Managed by

BANCO PORTUGUES DO ATLANTICO BANQUE BRUXELLES LAMBERT S.A. THE HOKKAIDO TAKUSHOKU BANK LIMITED KLEINWORT, BENSON LIMITED THE MITSUI TRUST AND BANKING COMPANY LIMITED THE SAITAMA BANK, LTD.

CAJA DE AHORROS DE BILBAO (BILBAO SAVINGS BANK) INTERNATIONAL COMMERCIAL BANK PLC THE MITSUBISHI TRUST AND BANKING CORPORATION NIPPON EUROPEAN BANK S.A. – LTCB GROUP – THE TAIYO KOBE BANK, LIMITED

THE TOYO TRUST AND BANKING COMPANY, LIMITED Co-Managed by

BANK OF YOKOHAMA (EUROPE) S.A.

The Mitsubishi Bank, Limited

The Sanwa Bank, Limited

THE NIPPON TRUST AND BANKING CO., LTD.

Bank of Tokyo International Limited

The Bank of Nova Scotia Channel Islands Limited Banco Exterior de Espana S.A. Banque de la Société Financière Européenne Caixa de Barcelona Grindlays Bank p.l.c.

Charterhouse Japhet plc Gulf International Bank B.S.C. Istituto Bancario San Paolo di Torino The Nippon Credit Bank, Ltd. International Westminster Bank PLC Saudi International Bank The Tokai Bank, Limited

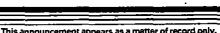
Banco Portugues do Atlantico The Yasuda Trust and Banking Company, Limited Banque Bruxelles Lambert S.A. Caja de Ahorros de Bilbao (Bilbao Savings Bank) The Hokkaido Takushoku Bank Limited International Commercial Bank PLC Kleinwort, Benson Limited The Mitsubishi Trust and Banking Corporation mernauonal Commercial Bank PLC Kleinwort, Benson Limited The Mitsubishi Trust
The Mitsui Trust and Banking Company Limited Nippon European Bank S.A. – LTCB Group –
The Tayo Kobe Bank, Limited The Toyo Trust and Banking Company Limited The Nippon European Bank S.A. – LTCB Group — The Mitsubishi Trust and Banking Corporation The Saitama Bank, Ltd Bank of Yokohama (Europe) S.A. Banca March, S.A. The Nippon Trust and Banking Co., Ltd. Banco Pastor, S.A. Japan International Bank Limited

F. van Lanschot (Jersey) Limited Iran Overseas Investment Corporation Limited Kuwaiti-French Bank Agent and Registrar



This announcement appears as a matter of record only

Bank of Tokyo International Limited





AUTOPISTAS DE NAVARRA, S.A.

US\$70,000,000

Medium Term Transferable Loan Facility

Partially Guaranteed by

THE GOVERNMENT OF NAVARRE

THE KINGDOM OF SPAIN

Arranged by

Bank of Tokyo International Limited

Managed by

BANCO DI ROMA INTERNATIONAL S.A. BANK OF TOKYO INTERNATIONAL LIMITED CAJA DE AHORROS DE BILBAO (BILBAO SAVINGS BANK) **GULF INTERNATIONAL BANK B.S.C. KLEINWORT, BENSON LIMITED**

BANCO EXTERIOR DE ESPANA CAIXA DE BARCELONA THE CHUO TRUST AND BANKING COMPANY, LIMITED **IRVING TRUST COMPANY** THE KYOWA BANK LTD.

THE YASUDA TRUST AND BANKING COMPANY, LIMITED

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Banco di Roma (Belgio) S.A.

Banco di Roma (France) S.A. Banco Exterior de Espana Cabra de Barcelona The Chuo Trust and Banking Company, Limited **Irving Trust Company** The Kyowa Bank, Ltd. The Yasuda Trust and Banking Company, Limited Banco Portugues do Atlantico (Paris Branch)

C.A.N. - Caja de Ahorros de Navarra

Agent and Registrar Bank of Tokyo International Limited



Hoechst develops savoire faire in its French investments

BY JOHN DAVIES, RECENTLY IN PARIS

THE FRENCH could learn quite a lot from the German chemical industry," says M Henri Monod, "In management,

yes," he hastens to add, "not in brilliant ideas." A man of beaming bonhomie and grand flourishes. M Monod represents the Hoechst spirit in France, presiding over the West German chemical and pharmaceutical group's largest operation ontside its home terrain.

In the Hoechst tower block at La Defense, with a sweeping view across Paris, M Monod praises stability in management as one of the strengths of the West German chemical industry. Hoechst, for instance, has only now got its third chief executive since its independent executive since its independent post-war era began 33 years ago, when it was carved out of the old IG Farbenindustrie combine. The new head, Prof Wolfgang Hilger, took over earlier this month from Prof Rolf Sammet, whose 16 years at the helm followed Prof Karl Winnacker's 17-year stint.

But at Rhone-Poulenc." says M Monod, referring to the big state-owned French chemical

state-owned French chemical group. "we have had six chief executives since the war. And all of them wanted change the policy. That is typically French."

M Monod, however, is highly protective of French interests and sensitivities, and feels a particular affinity to Roussel Uclaf, the largely pharma-ceutical and agro-chemical concern, where Hoechst has a delicate partnership with the French Government. - We have a lot of brilliant

Caution against changing too much

ideas at Roussel Uclaf," he says expansively. The concern, he asserts, is now reaping the benefit of a lot of investment and research effort.

For this reason, he counsels caution against changing things too much, too frequently, which he stresses is a personal view. The compromise agreement For a start, they argue that he existing sophisticated

A man of beaming bonhomie and grand flourishes, M Monod (right) represents the Hoechst spirit in France, presiding over the West German chemical and

arrangement has worked well. Hoechst, which was attracted to Roussel Uclaf by its drugs research, kept 54.5 per cent of the voting capital, but the French state was conceded conrenen state was conceated con-trol of the supervisory board, although both sides have pro-claimed a "hands off" policy. The French political tide is turning against the general idea of nationalisation, while pressure on state finances has led to concern about the ability of

operation outside its

pharmaceutical

group's largest

home terrain.

some government-owned groups to fund further expansion. In a proposal to split up the 40 per cent state holding in Roussel Uclaf, the French Government is reported to

Government is reported to envisage hiving off a small part of its stake to Compagnie Financiere de Suez.

Such a move would improve the government's financial bookkeeping, as well as settling an outstanding claim by Suez on the government. The effect on ownership in Roussel Uclaf would be minimal at the would be minimal at the moment, as Suez is itself nationalised. But if French banks were to be denationalised, this would result in a distinctly new element in the Roussel Uclaf mix.

The compromise agreement under which Roussel Uclaf escaped nationalisation is expected to be reviewed by the French Government and Hoechst next year. But various factors seem to encourage Hoechst executives in their relaxed attitude to these talks.

For a start, they argue that competing chemical company, he says.

Although Hoechst keeps a diplomatic distance, Roussel Uclaf makes up a sizeable part of the group's French opera-

Hoechst's French activities produced sales revenue of FFr 16.8bn (\$1.82bn) last year from imports and local production (including locally produced materials exported from France). Roussel Uclaf contributed a hefty FFr 10.8bn of this total

Societe Française Hoechst (SFH), which runs five production centres of its own and is a holding company for the Hoechst stake in Roussel Uclaf, had sales revenue of FFr 5.20n. Other operations in the Hoechst group chipped in a further FFr 800m.

Roussel Uclaf made net profit of FFr 453m (up from

of FFr 453m (up from FFr 352m in 1983), while SFH -omitting earnings from some pharmaceutical operations operations absorbed last year—made net profit of FFr 102m (compared with FFr 116m in 1983, boosted by a FFr 33m exceptional item). In its wide-ranging activities in France, Hoechst endeavours

to present a distinctly Gallic image. M Monod, as president of SFH, is flanked on the local board by M Gilbert Gaillard as vice-president and production director and by two German Francophiles in the form of Herr Friedrich Deichmann, formerly an executive in Morocco, and Herr Erich Theis, a financial expert long resident in Paris.
With its five chemical and

pharmaceutical plants in France, SFH regards itself as as deeply entrenched in local tradition and clearly aims to keep things that way. At its Cuise Lamotte complex near Paris, whose origins go back 90 persons a new parifin subnomic paris, whose origins go oack so years, a new paraffin sulphonate plant was opened this month at a ceremony where French verve was well to the fore.

The West German flag was flying at the factory gate (alongside the French tricolor), but a true a tree in French colours.

side the French tricolor), but it was a tape in French colours which a French industry official ceremoniously cut and which M Monod distributed flamboyantly to some of the hundreds of French guests.

The paraffin sulphonate plant, built at a cost of FFr 85m, is one of only three operated by Moschet in Europe to produce

Hoechst in Europe to produce substances for use in detergents which, it is claimed, do not pose a problem for the environment. Hoechst claims to be the world leader in large-scale production of such materials.

Behind Hoechst's recognition of French sensitivities is a care-

ful strategy of building up local research, investment and pro-duction with an eye to export markets, as well as the local

French market.

About 40 per cent of SFH's sales revenue comes from its local production, and in turn, 40 per cent of the locally producted. duced materials are exported, mostly within Europe but also to the U.S., French-speaking Africa, the Middle East and

SFH has embarked on a plan to invest FFr 950m between 1984 and 1988, much of it on new and modernised plant. This

Focus kept on local research

is a substantial increase above investment in the previou three years, which were marked

by restructuring. With an eye to French sup-port, it has focused on local research, including biotechno-logy, as one of the group's main priorities. Just under a tenth of SFH's employees are engaged

in research.
In export marketing it is setting its sights increasingly on Japan, which takes only 2 per cent of its exports. If the effort succeeds, it will not only go down well at Hoechst headquarters near Frankfurt, but also among those in France appreciate saroire faire.

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Agent

May, 1985

MANAGEMENT



POOR OLD EUROPE. With nemployment 11 per cent and rising, against 7.3 per cent in the U.S. and 2.5 per cent in Japan, its allegedly ossified markets are increasingly singled out as a prime obstacle to greater competitiveness.

Have things really got that • West Germany is tembad? The closer one looks, the porarily extending the use of

conclusions, certainly not to justify dismantling too much of Europe's labour and social systems. But clearly all is not well. workers' Most governments across working Europe have taken at least between some steps to reduce labour freedom Britain's case) union power. across the continent.
Unions protest that the

"flexibility" cult is a employment costs, euphemism for wage cuts and per cent in the U.S. inequality, but even many of The Dutch Government has defenders of Europe's union cut public sector wage growth, ised, welfare society admit part trimmed social security bene-of the argument even while fits, and proposes to speed up

more nexible society and income more nexible we have to find a new way between the individualist and collective positions. We are not able to become Califor-time. nians or Japanese. It is not in 🐞 Belgium has curbed wages,

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215 ATT

our culture.' Britain's Mrs Thatcher has extended short-term contracts waved the flexibility flag with for young workers, permitted regulation of union activity, variations in working time, and reductions in unemployment weakened the works council pay, large tax cuts for top system in small companies, earners, relaxation of unfair • In France, unions threw out dismissal laws, lowering of a draft agreement to lengthen national insurance contribusions for low-payed workers, more temporary workers, speed "nortable nanions" and serious and simple temporary workers, speed

Wages and jobs

Europe treads an uneasy middle way

Brian Groom reports on governments' attempts to strike a balance between flexibility and orderly labour markets

minded governments are more cautious about dismantling labour and social traditions cautious which served countries like West Germany, France, Belgium and the Netherlands so well in the 1950s and 1960s.

The UK is alone in singling out union power as the main market distortion. As it is, des-pite piecemeal labour market measures, Europe is still heavily regulated by comparison with the U.S., where for example there are scarcely any legal constraints on dismissal—though the American labour market is not as free of rigidi-ties as some of its supporters

short-term employment con-tracts, and a small degree of decentralisation in bargaining has followed last year's metaldispute; differing hours between sectors, and some freedom was won by engineer costs, employment protection, ing employers to negotiate social security benefits or (in varying hours around 38) a week. But the German labour Meanwhile, companies are put market remains an ordered ting flexible working time, one, with statutory works counchanging skills, employee in cils, multi-employer bargainvolvement, performance-related pay, quality, part-time and contracted-out work on agendas across the continent.

Unions protest that the union workers covered by union agreements against 25 per cent in America. Payroll taxes and benefits add 78 per cent to a employment costs, against 28

groping for an alternative.

As one French state planning official puts it: "We must have has been trimmed, and bargainofficial puts it: "We must have has been trimmed, and bargaina more flexible society and ing has become more decentral-

relaxed dismissal procedures,



tiations on shorter hours and 45 per cent or less new technology. Further talks periods in the U.S. between unions and employers on redundancies and retraining have collapsed. • In Italy, in theory at least Europe's most over-regulated country, employers are threat-

ening to stop paying index-linked wage rises next February in a bargaining tactic tion. The Government pro- 1m. poses to introduce part-time Ye work in the public sector, and be as simple as it looks. U.S. introduce an element of unemployment remains at a employer choice in the com-level which would have been pulsory state-run recruitment To the free-market Ameri-

benefits make people reluctant labour force growth.
to move house or change job.
There is also a debate about they argue that high minimum the quality of the often lowerwages thwart the hiring of paid service jobs which have young recruits, that inflexible wage bills are swelled by high payroll taxes, fringe benefits and generous holidays, and that recruitment is discouraged nat, the French employers' federation, says companies have even gone bankrupt awaiting government approval for redun-

45 per cent or less for shorter

The American comparison is important because the freer labour market there is often cited as one factor behind the creation of more than 7m new jobs since the depth of recession in November 1982, and 17m between 1970 and 1983. Over the same 13 years, by contrast, to reduce the level of indexa- EEC countries lost more than

Yet the comparison may not considered recessionary a decade ago. Only recently did it dip below the European level. cans, all this is confirmation. It was higher every year from that narrow pay differentials 1960 to 1982, largely because and generous unemployment the U.S. had to absorb faster

continued to grow while U.S. manufacturing remains depressed. "Half the country is doing the laundry of the other half. That's how we are creating jobs. by laws which make it hard and You cook my hamburger today, costly to fire people. The Patro- I cook your hamburger to-I cook your hamburger to-morrow," says Murray Seeger, director of information at the AFL-CIO, the union federation. This is more than just special

like Cleveland and Chicago.

The U.S. labour market has more rigidities than is commonly imagined, notably in-flexible work rules and "seniority"—the highest-paid jobs going to the longest-serving workers-in the blue-collar sector. Of course the U.S. system is in

other ways freer, but that has always been so. "People were mobile in the Great Depression. It doesn't necessarily create jobs," says Seeger. At best, labour flexibility can

have been only one factor among many in the past decade's strong U.S. recoveries. Bigger ones were the consumer's willingness to cut savings in order to finance consumption after 1974-75, and the indifference which consumers and investors -encouraged by tax cuts and the tax system itself-showed to high real interest rates in 1983-84.

At least some of the recent employment growth must be attributed to the demand stimulus created by tax cuts, defence spending and soaring budget deficits, along with the relaxation of monetary policy in late 1982 and early 1983.

Japan provides a different model. Though the extent of tions for low-payed workers, more temporary workers, m

sprung up in once-prosperous Europe and 14 in the U.S. Many working-class suburbs of cities larger European companies are larger European companies are attracted by the Japanese example: flexibility of working

with job security.

" If you want to build trust. hiring and firing people creates instability," says Berth instability." says Berth Jonsson, vice-president for organisational development at Volvo of Sweden." Some U.S. companies are attracted too. Fred Foulkes, director of the Human Resources Policy Human Resources Policy Institute at Boston University, named People Express, General Foods, Xerox, American Air-lines and Control Data as among companies joining 30 existing big names which operate no-lay-

But European caution should not mean complacency. Europe's employment record has become increasingly unrelated to changes in economic activity since 1973, implying sclerosis somewhere in the system. Labour cost relative to the rate of return on capital rose by 4 per cent a year in the last decade, hastening the displacement of workers by machines.

In the two recent recessions real wages rose in many Euronean countries, sometimes faster than productivity, and fell in the U.S. With some justification, wage moderation is there-fore central to the new model

but as yet there has been little impact on unemployment. And many of the suggested routes to greater wage flexiblity are problematic.

Decentralisation and tailoring of pay rates to local markets and company conditions appears attractive, but the evidence of its effects is mixed. In most American states, there seems that a correlation between teachers little correlation between wages (both levels and rates of change) and unemployment.

Such measures do not neces sarily encourage wage modera-Relatively fragmented bargaining in Britain's private sector has not prevented uncomfortably high real wage growth. while the Government eschews central mechanisms to control

European employers often look wistfully at what they consider to be U.S. wage flexibility, including recent developments like union "give-back" pay con-cessions and lower scales for new recruits. But the real wage reductions in the two recessions could hardly be ascribed to flexibility—they happened not because the nation responded by suddenly taking pay cuts, but because nominal wages carried on growing at the same. leapt temporarily above them.

On hiring and firing, European measures on temporary and part-time work are hastening the creation of a dual labour market, which unions fear will practices can go hand in hand create social divisions between "core" workers and insecure.

low-paid peripheral ones. For now, however, the division between those with and without jobs is greater. Wage differentials could probably be widened a bit even in an egalitarian country like the Nether-lands without social dislocation, though how much difference a small change would make to incentives is debatable.

There is certainly more to European uncompetitiveness than just rigidities in the labour market. Other areas are at least as important — principally the climate for innovation and the overall level of demand.

The most crucial labour measure to be taken is to improve the level and quality of training. Skill shortages are occurring nor just in Britain but in countries like the Netherlands, where it can be hard to get a good fitter alone an electronics The overall picture is of a

Europe prepared to see wideranging but not cataclysmic change. "Perhaps a little flexibility at the margins will be all that's needed," said one OECD official. Many will cross

EDITED BY ALAN CANE

BUSINESS PROBLEMS BY OUR LEGAL STAFE

Subsistence

I employ a consultant to help me in the office for a number of weeks each year. He lives 40 miles away and I pay him a fee and modest subsistence expenses. I also pay his hotel bill to save him travelling.

Now the Inland Revenue proposes to tax him on the subsistence allowance. This seems unfair, as the cost of subsistence in this large city is much more than would be the cost of his meals at home. The Inland Revenue quotes section 30 of the Income and Corporation Tax Act 1970. Is

The inspector is referring to section 100 of the Income and Corporation Taxes Act 1970 (not ection 30). On the bare tacts outlined, the answer is yes.

Changing tack

I have been running a hust-ness for several years in partnership, paying tax on a pre-vious year basis. We are now considering disposing of the goodwill and assets of the business and re-investing in part-residential, part-business properly with a view to holiday letting on a fairly substantial scale.

1-If we dispose of the business would we automatically change to an actual year basis for income-tax purposes, even though there is no change in the partnership, only a change in the type of business being conducted? If so, how soon after the disposal would this become effective? there any way to avoid

2-Would the above reinvestment satisfy the tax office with regard to the rolling over of capital gains tax? Would we in this instance be able to split the value of the property to avoid any potential capital gains tax on the residential part of the property?

1-Yes, for the year of cessa-

tion(and for the preceding two years, if that is to your disadvantage).

2-Not necessarily; you should seriously consider incurring the expense of professional guidance through the tax maze, even though you have managed without an accountant up till

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Microfilm

libraries go

KODAK and Digital Equip-

ment Corporation (DEC) are to undertake a co-operative

development programme for the KIMS project. KIMS—Kodak Image Man-agement System—was re-vealed by the photographic

company last year. It is a system that mixes microfilm storage with electronic trans-

mission and presentation of information, with conversion

It will allow office workers to access and work with docu-

ment image files in much the same way as they now handle

data files using "all-com-puter" systems with magnetic

ing responsibility for the end product and will provide the

Kodak will assume market-

between the two.

electronic

TECHNOLOGY

Tune into cheaper rural telephones

Geoffrey Charlish on a radio that RURAL TELEPHONE NETWORK can cut costs by transmitting four conversations at once

A DIGITAL radio system that in underdeveloped countries enables four conversations to take place at the same time on a single ultra-high frequency (UHF) radio channel has been developed by International Mobile Machines of Phila-themselves to conventional delphia.

Although the system has important implications for cellular and other mobile radio services, Mr William Hilsman, president and chief executive very problem that of IMM, believes the first radio was supposed to remove. applications will be in rural. Cellular radio in a city uses fixed telephone networks. He claims his system, called Ultraphone, is cheaper to install than the long telephone cables normally needed in such areas between exchange and sub-

telephone companies.

analogue radio, this new digital system would no doubt interest them as well, because reports are now emerging from the U.S. of channel shortages—the Cellular radio in a city uses a number of geographical cells

each with its own low power transmitter instead of one big one in the centre. This allows the frequencies allocated to one cell to be used in another scriber.

In Loudon recently, Mr
Hilsman revealed he had been trying to interest both Plessey and British Telecom in the system. In the U.S., testing is in progress with four local one cell to be used in another cell elsewhere in the city without mutual interference, increasing the number of available channels. Cars are allocated new frequencies by computer as they move from one cell to another.

As the number of subscribers The market in Europe however, where most telephones are installed in well populated areas, is expected to be fairly small. Mr Hilsman thinks his biggest opportunities will arise

As the number of subscribers increases, the idea is to split the cells into smaller areas, but there are signs that the computers are not coping too well.

MMI's four channels on one frequency would be valuable

FOUR SPEECH CHANNELS

Different messages can be transmitted to four separate points using a single radio frequency to cellular operators, but they the receiving end. The process

would have to change to digital is called encryption. Mr flas-transmission from analogue, man has been in charge of frequency, which often is That change is tentatively plan-ned in Europe, but not for at least a decade.

Stalled encryption. Mr flas-man has been in charge of frequency, which often is unused for long periods of time. The new approach, called "trunking" is on trial in the

r two technologies — division multiplexing (TDM) and digital compression. In TDM, each audio signal is turned into a train of pulses, rather like morse code. Each of the four trains of pulses is slightly displaced in time from the others, allowing them to interleave and exist on the same wire (or the same radio

advantage that noise and distortion are greatly reduced. In addition, with care and skill the number of pulses needed per second can be reduced without affecting speech quality. IMM has used the current of distributions. its own version of digital com-

of speech on one radio channel.

With further development, Mr

Hilsman believes it will be pos-

sible to carry eight or more channels. Until recently, Mr Hilsman was a lieutenant general in the U.S. Army. The army has an obvious interest in pulse transmission systems because they can be made secure simply by re-arranging the time position of the pulses and restoring them, according to a key, at

would have to change to digital is called encryption. Mr Hils-transmission from analogue. man has been in charge of frequency, which often is

In developing Ultraphone Ultraphone in its final form the U.S. company has brought together two technologies—"scrambling" relatively "scrambling" relatively cheaply — the circuits can be realised on a single chip, says Mr Hilsman. In a rural area, the system can meet all local communi-cations needs, fixed and mobile.

Any of the four speech chan-nels on any of the allocated UHF frequencies can assigned to any user.

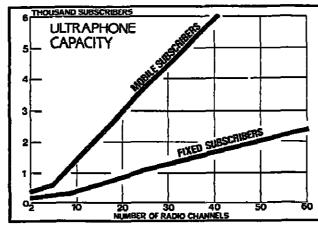
the other end separates the users by a central computer four trains and converts them which monitors their use and back into speech. TDM has also which monitors their use and between 2,000 and 6.00 makes sure they are kept filled. scribers can be served.

London area in a separate. unrelated British experiment. The base station for Ultra

phone contains transmitter

switching computer, and a means of connection with the conventional telephone net-work, locally or remotely. The subscriber equipment carries out digital signal processing modulation and radio

transmission and is connected to a normal handset which is used like a normal telephone. With an allocation of say, 40 UHF channels, IMM says that between 2,000 and 6,000 sub-



Michelin wheels out the plastic tyre valve

NEW ENGINEERING materials The new valve is being used such as plastics and ceramics in bicycles and Michelin is which are as strong and long lasting as the metals they replace are making a significant contribution to cutting manufacturing costs. One, however, is at the rim of its own particular

Vapé, a valve manufacturer Vape. a valve manufacturer based in Oyonnax, has been working with the tyre manufacturer Michelin to produce a valve consisting only of three snap-fit parts plus a metal spring. A traditional metal valve has 11 separate components

Neither Vapé nor Michelin are prepared to disclose manufacturing costs but the industry estimates that the new process may have cut the cost of pro-ducing a valve by up to 30 per The valve is moulded in a

new engineering material made by Du Pont called Delrin, a man-made resin which is strong. rigid, and resists fatigue and According to Du Pont it is

easy to mould and able to re-sist wide variations in temperature, high humidity, oil, grease, and dirt thrown up from the

introducing a larger version on tubeless tyres for cars. This version, called the VMP 413, has special advantages for

turing costs. One, however, is at the rim of its own particular revolution rather than at the hub.

In France, Etablissements Vapé, a valve manufacturer based in Oyonnax, has been the rim on gubless taken in on gubless. the rim on tubeless tyre.

Because it is lighter and more rigid the new plastics valve is not deformed by centrifugal force. Also, because it becomes part of the wheel rim when snapped into the aperture there is no air loss.

The car tyre valve is designed to work at pressures of up to eight bar (112 lb/sq in) much higher than the limit for rubber valves.
The manufacturers claim

they have simplified inflation and deflation of the tyre through a novel system for locking the valve core in the onen position. open position. Which should be good news

for ham-fisted cyclists who invariably deflate their tyres while fiddling with conventional

Alan Cane

New IBM bank computer IBM. a major supplier of approach of Burroughs, where

banking automation equipment, has reinforced its commitment to the "branch processor" computer powerful enough to dominant.
deal with all the requirements
of an average-sized branch — IBM's 4700 with the announcement of a new model, the 4702. IBM says the new computer

processing tanks such as teller of storage. transactions, loan processing. The main memory can be and automated teller functions, increased in 512,000 byte or 1

every workstation or personal computer is powerful enough to act as the master processor and concept - the use of a small no single workstation is

The new processor is part of IBM's 4700 financial family: a basic configuration consists of the computer with 512,000 bytes of main memory and a 5.25 inch can handle a range of financial diskette drive with 1.2m bytes

This approach to banking megabyte increments to a maxiautomation — shared by com-panies like Philips—is in 1.2 megabyte diskette drive can contrast to the "workstation" be added.

Siemens' DM100m for academics

SIEMENS, the West German kurts, Siemens head of research, electrical plant, is to spend says the company wants to DM 100m over the next five improve the ability of universi-years on sponsoring university ties to do useful research and research on a range of projects to turn out qualified people, including computer - aided Universities at Karisruhe, design techniques for semi-conductors and basic research already collaborating with in physics and chemistry.

Siemens on the design of microphine with computation in physics and chemistry. Siemens on the design of Professor Karl Heinz Bec-microchips using computers.

image-related technologies and components of the system, together with the application software. DEC will provide computer systenis, terminals, storage, networking and system software.

Robots help

sort parcels IN THE U.S., International Robomation / Intelligence (IRI) has won a contract from Federal Express Corporation to supply machine vision systems to automate package sorting operations.

Federal Express is a leading overnight door-to-door delivery firm and its sorting lines will be equipped with IRI P256 vision computers linked to cameras, lights and

application software. When the system senses a package, it locates the address label, reads the postal code on the move and passes the information to the sorting mechanisms.

The system works at one package per second and is insensitive to the angle at which the label is presented to the cameras.

are pleased to announce the appointment PETER A.D. GIBLIN as Group Chief Executive and Partner

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GEC below expectations at £725m

Electronic systems

of disappointments from the electrical sector came yesterday with the announcement of the General Electrical Company's results for the 1984-85 year.

The pre-tax result for the period ending March 31 1987 came to £725m, an increase of £54m over the comparable figure. £54m over the comparable figure, but this was well short of even the most pessimistic analyst's forecasts, which ranged from

Trion to ETOm.

The markets, which have marked down the most prestigious of electrical/electronic shares in the past few weeks, reacted to hie announcement by knncking 4p off GEC's shares to 162p—just short of the 1985 low -but later relented. The shares

closed at 166p.
As expected, the company received a considerable boost from non-trading activities in the form of interest receivable on its substantial cash mountain. This added £176m to the profit and loss account, against £141m.

the shortfall was more than made up by the electronic systems and components sector which showed an increase of £38m to £235m.

English China

By Stefan Wagstyl

unwanted shares

sold at premium

City institutions, which under-

wrote the £89m rights issue from English China Clays, have

been spared at the last minute from having to take up unwanted

shares. Shareholders accepted just 52

per cent of the shares on offer,

But ECC's financial adviser J.

Henry Schroder Wagg and De Zoete and Bevan, its stockbroker, yesterday sold all the unwanted

shares at 220.375p, a slight premium to the 220p issue price.

· Meanwhile, the directors of

ness Lighting and their un or-

writers saw the company's rights

times. Merchant bank Kleinwort

Benson is expected to announce the basis of allotment today.

All other sectors showed slight rises, with power generation ahead by £3m at £55m. It had been expected that this division would show a benefit from a sizeable number of equipment deliveries. Medical equipment made £5m more at £29m, and consumer products were up from £23m to £27m. Distribution and trading was unchanged at £14m.

Group turnover weas up from

trading was unchanged at £14m.

Group turnover was up from £5.03bn to £5.54bn, with by far the largest chunk still coming from the UK at £2.72bn against £2.42bn. The Americas topped the £1bn turnover mark for the first time with £1.44bn against £967m. The rest of Europe accounted for £10m more at £509m, and Asian sales moved ahead strongly from £594m to £707m. Sales in Africa and Australia slipped to £237m (£306m) and £229m (£247m) respectively. and £229m (£247m) respectively.

Exports from the UK rose from £1.21bn to £1.23bn, with export orders received standing at £1.16bn against £887m. Included in the figure for in-

and loss account, against 214111.

Bank deposits, short dated and other current asset investments (214m) on the group's holding of foreign currencies.

Three of the group's operating divisions showed a downturn—telecommunications and business systems, automation and control, and electrical equipment — but the shortfall was more than made from £268m, before extraordinary credits amounting to £8m

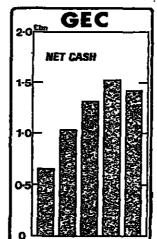
Medical
Power generation
Electrical

DIVISIONAL PERFORMANCE ANALYSIS

235

Pre-tax profit





Lincroft lifted by investments

BOOSTED by realised gains on investments, Lincroft Kilgour Group improved taxable profits by 42 per cent in the six months to March 31 1985.

Trading profils moved ahead from £328,900 to £393,300, but more than half the £192,400 rise at the pre-tax level to £651,400 came from net realised gains on investments, less the amount written off. This made £114,000 more above the line at £169,100.
There was also an increase in investment income, up from after the stock market fell heavily in the wake of the announcement of the issue earlier this month.

71,900 to £89,000.
Mr Anthony Holland, the chairman of the group, which in addition to its investment holding activities has interests in cloth merchanting and bespoke tailoring, does not suggest that an investment performance of this order can be maintained in the second six months.

"Indeed, we expect conditions in the UK market to become more difficult and we have started to adopt a more defensive

issue 96.1 per cent subscribed.

And the offer for sale in insurance broker Bradstock stance by increasing liquidity and looking for more oppor-tunities overseas," he says. Group was subscribed one to two The rise in trading profit occurred despite the absence of a contribution from the now

defunct uniform manufacturing division, which last time turned in £75,900 on sales of £344,200. Continuing textile activities in creased trading profit by 50 per cent, with the bulk coming from cloth merchanting at £301,100 against £181,600 on sales of £4,08m (£3,22m). Bespoke talloring added £40,400 (£28,800) on sales of £393,700 (£344,200). Total group sales were up from £3.92m to £4.47m.

In the chairman's year-end statement, he emphasised the group's efforts to build up a regular franchise income. This revenue is shown in the trading income, and came to £85,600 against £62,500. Mr Holland believes that these receipts will continue to grow steadily. The interim dividend is raised by 0.5p to 2p following a 5.5p total last time. After a tax charge of £277,100 (£181,700), earnings per share came out at 8.1p (6p). defunct uniform manufacturing division, which last time turned in £75,900 on sales of £344,200. Continuing textile activities increased trading profit by 50 per cent, with the bulk coming from cloth merchanting at £301,100 against £181,600 on sales of £4.08m (£3.22m). Bespoke tailoring added £40,400 (£28.800) on sales of £302,700 (£34.800) sales of £393,700 (£344,200).
Total group sales were up from

£3.92m to £4.47m.

GA boosts bonus rates

General Accident Life Assurance, a member of the General Accident Insurance Group, has announced substantial increases to its terminal bonus rates applicable to claims arising as from the beginning of this month.

Even life converget issued since the profit contracts issued before 1982 are also being increased significantly.

Mr Norman Graham, general manager and actuary of General Accident Life, said that these increases reflected the company's

1982 are also being increased significantly.

Mr Norman Graham, general manager and actuary of General Accident Life, said that these increases reflected the company's continuing excellent investment performance and the favourable For life contracts issued since
1982, the rate is lifted from
55 per cent to 65 per cent of
attaching and interim bonuses,
while for pension contracts
issued since 1982 the rate rises
from 40 per cent to 45 per cent
of attaching bonuses.

Accident Life, said that these
increases reflected the company's
continuing excellent investment
performance and the favourable
tax changes in the current
Finance Bill. It would also
enable the already high returns
on GA's life and pensions
contracts.

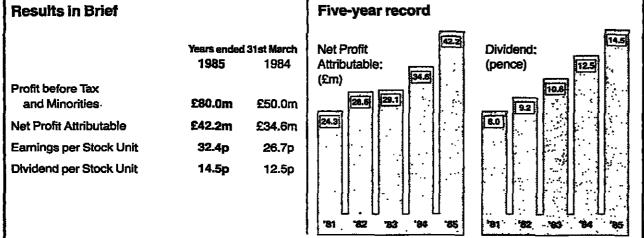
Imperial Continental Gas Association

"A year of progress in all areas"

F. E. Zollinger, Chairman

- - Strong profits growth in oil operations

 Another record result from Calor
- CompAir restored to profitability
- Continued strength in Belgian earnings
- Dividend increased by 16%



IC Gas is an energy-related business with four main areas of activity.

The Oil Operations Group is active in exploration and production in the North Sea and also operates onshore in North America. Calor distributes and sells Calor gas and appliances to householders and industrial customers throughout the British Isles. CompAir supplies factories, mines and construction sites throughout the world with air compressors and allied control and application equipment. Belgian Operations relate mainly to interests in the private sector electricity and gas industries and to a significant investment in the Petrofina oil company.

Copies of the 1985 Annual Report are available now from imperial Continental Gas Association, 14 Moorfields Highwalk, London EC2Y 9BS.

M. Black returns to market as hotel group

By Lucy Kellaway

198-£m 1,578 735 436 435 623 750 279 p 197 is MARTIN BLACK, the shares of which were suspended a year ago when the company pulled out of wire-making, is returning via the USM, as a hotel group,

The company is to acquire Dean Park Hotels, which owns and operates three hotels in Glasgow, Watford and Stevenage, after which it will change its name to Dean Park Hotels Group. The deal, which is subject to share-holders, approval, will be funded by the issue of 4.5m

Hambros is bringing the company to the USM with a placing of 450,000 existing shares at 51p each, well above the 22p suspension price of May 1984. Hambros has also agreed, for a period of three days after dealing starts, to buy out existing shareholders at an agreed price of 51p. Holders of 2.5m of the com-pany's 6.5m shares already in issue have given guarantees that they will not be selling their shares during that

Under the terms of the pur-chase, Martin Black will issue 4.5m new shares to the ven-dors on completion, and a further 1.7m related to per-formance. The three hotels have recently been valued at £7.95m, and the company has a net asset value of £3.8m. The Dean Park Group will have net assets per share on completion of 65p.

Dean Park has produced pre-tax profits in the region of £350,000 in each of the past five years, with the exception of 1985, when profits fell to £17,000 following a £424,000 interest charge on borrowings used to finance the hotels

The new group will have almost no borrowings. While the directors have made no profit forecast for this year, payment to vendors of the additional shares begins on the achievement of profits in present year above

£550,000. Sir Ian Morrow, chairman of Martin Black, will become chairman of the group, and the managing director, Mr J. Kennedy, will become a non-executive deputy chairman. Mr M. Gold and Mr D. New-Mr M. Gold and Mr D. New-ton, at present executive directors of Dean Park, will be joining the board. Deal-ings start on August L.

comment Prospects for Martin Black's

shareholders are today far brighter than they were when stuck at 22p and with no yield for more than a year, they may feel inclined to accept Hambro's 51p cash price gratefully and get out altogether. However, the deal does have some tempting elements. The new owners of Dean Park are in the process of vigorously shaking up a down at heel cluster of hotels, and after completely redecorating them profits should more than double following a tripling of room prices. However, shareholders are being asked to take rather a lot on trust; the new owners of the group come without much direct experience in the much direct experience in the running of hotels, although the 25 per cent discount to asset value seems to take some account of this. If the company makes profits of \$325,000 in the present year the shares are on a p/e of 17 which may not leave too much room for immediate capital

CML up 48% despite second half sales slip

CML Microsystems, the Essex hased manufacturer of inte-grated circuits, lifted pre-tax profits by 48 per cent in the 1984-85 year, despite a second half in which sales were constrained by the recession on the semi-conductor market.

Mr G. W. Gurry, the chair-man of this USM concern, says man or this Usin concern; says that an upward trend was re-established in the closing months. Sales for the year to March 31 rose from £4.23m to £5.78m, and produced pre-tax profits of £1.35m against £912,204. He adds that the group is

well placed for further growth, and that the expan-sion of activities into suitable sion of activities into suitable areas is under consideration. With earnings per share up from 6.8p to 9.9p, the directors are to recommend a maiden dividend of 1.4p. This will cost £120.400. after a tax charge of £469,815 (£338,850) and minority interests of £28,648 (£13,573).

Mr Gurry says that investment plans for the year were on course, with some £0.7m spent on expanding R&D and production facilities in the UK and U.S. Cash reserves showed an increase over the previous year and net borrowings were nil.

LADBROKE INDEX
944-948 (-10)
Based on FT Index
Tel: 01-427 4411
July 4 closing at 6 pm

Vosper incurs £1m loss and warns on current year

Vosper, the Hampshire-based shipbuilder, shiprepairer and engineer, plunged deeply into the red over the second smooths and finished the 1983-84 year £1.02m in loss at the pretax level.

And, with losses of 24.80 per share the final dividend, like the interim, is also being passed—last year shareholders received a total payment of 5.25p from pre-tax profits of £2.05m.

In the current year the group is still suffering from a continuing recession in shipbuilding and related industries and on the basis of unaudited management accounts a loss in the order of £2.5m is expected for the opening six months to end-April.

The directors say Vosper's

opening six months to end-April.

The directors say Vosper's working capital position remains under prezure due to the continuing low level of orders. They add, however, that a number of substantial orders are under negotiation and that they are confident that some will be successfully concluded in the near future.

Vosper's bankers are continuing to maintain their support, but shareholders are told that further orders are essential to secure the group's financial position.

Sir David Brown, president of

tion. Sir David Brown, president of

Vosper and David Brown Hold-ings, the ultimate holding com-pany of Vosper, have agreed as a temporary measure to provide additional finance in anticipation of the orders under negotiation of the orders under negotiation being finalised.

In a trading statement last December the directors warned that losses for 1983-84 would be in the order of £1m. Nonethe-

less, the group's shares closed yesterday 35p down at 190p after rising to 230p at one stage.

Turnover for the year, to October 31 1984 dived from £26.13m to £17.05m. The loss was brought that the stage of the st about by a disappointing level

of order intake throughout the • comment

nil

Vosper's result may have been grim but it was not unexpected: the group warned as long ago as last December when it paid off 22.2m in borrowings from the National Research Development Corporation that it had suffered e £480.000 (£946.000) and extraordinary items for £2.03m.

The group's holding in Yarrow
it, was sold at a profit of £1.8m over the cost value of £1.2m.

The directors do not believe the iprofit will be subject to tax as a result of reliefs available. They foint out, however, that group accounting treatment of the disposal required the elimination of £3.2m of group reserves which a arributable profits of Yarrow

The grop's claim for additional compensation, at present before the European Court for Human Rights, is not expected before the end of 1985. The additional claim, based on the value of the nationalised shares in 1.77, amounts to £32.4m together with interest from that date up to settlement.

If the claim succeeds in full it is likely to exceed £60m before it is likely to exceed £60m before it as.

Benjamin Priest recovering

AFTER TWO years of losses and for the period exclude sales of a major capital reconstruction £3.51m for the companies and Benjamin Priest Group, the West Midlands engineer, ended the year to March 29, 1985 showing a made in 1983-84 to cover closure small profit.

On turnover down by 22 per cent from £40.6m to £31.57m, pre-tax profit was £361,000, compared with loss of £1.32m for the previous year. The board does not feel, however, that the performance justifies the resumption of a disclared payment. a dividend payment.

The directors say that the year

A provision of £5.23m was made in 1983-84 to cover closure costs of Benjamin Priest and Sons and the loss on investment for the other three. This was for the o

During the period bank realised, borrowings fell to £3.09m from The pr £8m with gearing down sharply from 146.7 per cent to 40 per

was one of significant change and reconstruction. Trading conditions were mixed, with many customers in the automotive industry suffering industrial relations problems. In spite of this, encouraging progress has been made."

The pre-ta xfigure was struck after interest changes of £662,000, a fall of 33 per cent from the previous year's £982,000. With tax at £57 cill, no extraordinary items, compared with £5.23m last time, and an accrual for preference

£662,000, a fall of 33 per cent acquisition, are being sought, from the previous year's During the year another £982,000. With tax at £57 (nil), former Delta Group director.

Earnings per share came out at 1.02p (7.81p loss), or 0.72p on a fully converted basis.

The directors say that although satisfactory progress was made since the financial reconstruction some of the benefits of the rationalisation

The present year has started reasonably but trading condi-tions are becoming more competitive in certain areas. Opportunities for the development of the group, possibly by

Mr Ronald Asserson, joined the board as a non-executive director. The chairman, Mr Christopher Walliker, and the chief executive, Mr David Abel encouraging progress has been pared with ±5.23m last time, board as a non-executive and an accrual for preference director. The chairman, Mr Christopher Walliker, and the retained profit was £172,000 chief executive, Mr David Abel squinst a loss for 1983-84 of smith, are both former Delta directors.

Cullens sells off-licences to Whitbread for £0.9m

BY ANDREW ARENDS

Cullens Holdings. the stores group taken over last December after a bid battle by three former Imperial Group executives, yesterday announced that it had sold 16 off-licences, located in the South East, to Whitbread, the brewers, for £900,000 in cash.

Mr Peter Matthews, Cullens' chairman, said yesterday that the disposal of the wine and spirit division would provide founds for re-investment in the group's grocery and convenience the South East, to Whitbread, stores, as well as reducing group the brewers, for £900,000 in cash.

Cullens also said that it had cliners also said that it had sold its Battersea warehouse to Hilstone Development, a property company, for around \$500,000. The company added that offers

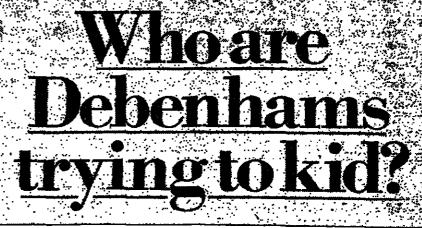
According to Mr Matthews, the wine and spirit division was "marginally profitable" last year, on turnover of around £7m. He said that turnover of the slimmed had been accepted for another down group, on the basis of four off-licences, and negotialast year's figures, would be tions are continuing for the sale around £20m, prior to any of the seven remaining outlets.

Lucas raising £18m for U.S. purchase

Lucas Industries, the aero-space and vehicle components group, yesterday placed nearly 6.1m shares on the stock market to raise f18m to finance the purchase of Duralith, a New Jersey-based maker of graphic control

panel assemblies.
Cazenove, the stockbrokers,
placed the £1 shares at 295p each
with institutional investors. The new shares represent 6.7 per cent of Lucas's issued share capital. Lucas announced on April 26 that it was launching a \$23.7m cash bid for Duralith in what was the British company's first acquisition in three years, following a long period of restructur-

This advertisement is published by The Burton Group plc, whose directors (including those who have delegated detailed supervision of this advertisement) have taken all reasonable care to ensure that the facts stated and opinions expressed herein are fair and accurate. Each of the directors accepts responsibility accordingly.



Debenhams claim their profits for the first 16 weeks of the current financial year were "significantly ahead" of last year. Who's kidding whom?

The profit increase of £3.9m has been achieved against a background of losses on the furniture and electricals business in the same period last year

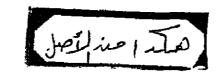
More significant is the fact that total sales increased in the first 16 weeks by only 6% - barely enough to cover inflation despite the assistance of the 'new stores, 'major extensions' and 'extensive remodelling' they keep boasting about.

No matter what methods are used to increase this year's profit, sustained profit growth can only come from strong sales growth, Over the last 5 years, Burton sales increased by 95% against 34% for

Debenhams can only achieve real growth under Burton management. The message is clear. Back Burton.

Debenhams promises-Burton delivers.

The Burton Group habitat/mothercore



UK COMPANY NEWS

A. Walker to double its net

· 220

(CED)

Alfred Walker, the property group, is seeking a firmer foundation by the acquisition of a Birmingham property which will double its assets. The company announced yesterday that it had entered into a conditional agreement to acquire the Tyseley. Industrial Estate for 2855,000.

The company balance sheet at the end of April 1885 showed assets of 5738,000.

Mr John Donachie, the chairman, said yesterday that the property market was volatile and the company had been looking to acquire interesting properties to provide a more stable base.

It is intended to finance the purchase principally by a rights issue of 8½ per cent convertible preference shares of £1 at par on the basis of one for every two ordinary shares held. The promised final dividend of 159 them of the property woordinary shares held. The promised final dividend of 159 them of the property share imported from the proference shares of £1 at par on the basis of other works and the own of the Walker shareholders are to receive the ordinary shares held. The promised final dividend of 159 them of the promised final dividend of 150 The company balance sheet at the end of April 1985 showed assets of £738,000.

Mr John Donachie, the chairman, said yesterday that the property market was volatile and the company had been looking to acquire interesting properties to provide a more stable base.

It is intended to finance the purchase principally by a rights issue of 8½ per cent convertible preference shares of £1 at par on the basis of one for every two ordinary shares held. The issue is being underwritten by Brown Shipley and Co

Most of the Walker shareholders are institutions with the Morgan Grenfell Special Exempt Fund having a near 20 per cent bolding. Mr Donachie said that the ierus had been tailored for the end of the weakness of stering earlier this year.

This compares with the weakness of stering earlier this year.

This compares with the previous year's £915,000 and the directors forecast of not the directors forecast of not the USM. Shareholders are to receive the promised final dividend of 1.5p net per 10p share—in fautre years the group intends to pay both interims and finals.

For the 198485 year group two ordinary shares held. The issue is being underwritten by Brown Shipley and Co

Mr Roger Rowland, the chairman, says the business grew substantially compared with the previous year and that the first contribution was received from the provious year and that the first company can be for cash.

This compares with the weakness of after deducting pre-acquisition market—the deducting pre-acquisition that the first the directors forecast of not the USM in the directors forecast of not the USM in the directors forecast of not the USM in the directors forecast of not the USM. Shareholders are to receive the promised final dividend or £1.5p net per lop share—in functions of £1.2p net per lop share—in functions of £1.2p net per lop share—in functions are first the sections of £1.2p net per lop share—in functions are first deducting pre-acquisition and the first of £480,000 (£10,000) of subsidiaries acquired for cash.

Dividend payments wi

Morgan Grenfell Special Exempt Fund having a near 20 per cent bolding. Mr Donachie said that the issue had been tailored for the institutions and was confident that it would be taken up. If the total issue is taken up the company's capital base will be increased six times. The closing date for accentances is

closing date for acceptances is August 16.

An extraordinary general meet-ing has been called for July 25 to approve the changes. The company is also seeking to increase its authorised ordinary share capital from £200,000 to £375,000.

For the year to April 30 1985, pre-tax profit was £25,000, compared to £4,000 for the previous year, on turnover down by 16 per cent to £934,000 (£1.11m).

Dividend for the year is maintained at 0.75p net.

The chairman says that in future the group will no longer undertake small renovation projects but concentrate on substantial development schemes.
"This company is now actively involved in the promotion of projects in the field of retail store developments and town centre schemes. We do not wish to tie up our small capital base in anything other than an attempt to secure mejor returns from larger develop-

Pepe beats forecast and ahead in current year

advance for Rex Williams

Rex Williams Leisure, manufacturer and distributor of pool and snooker tables, has reported a rise in pre-tax profits from 168,000 to £73,000 for its first six months on the USM.

Midway

nonths on the USA.

In the period to end May 1985, turnover increased by £19,000 to £467,000, although operating profits were down from £76,000 to £67,000.

The directors are paying the 0.42p interim dividend forecast at the time of flotation. They also forecast a final of 4.49p.

The expansion programme into light metered snooker progressed at the same rate as that achieved at the same rate as that achieved in the comparable period. At end-May 167 units were sited, 31

end-May 167 units were sited, 31 more than at the year end in November. During the same period the company's con operated pool and snooker units fell from 955 to 907.

Mr Rex Williams, the chairman, says that in order to improve growth the company has increased its sale activities, but although some success is being seen, the full impact of the efforts will not be realised in the current year.

current year.
With the company placing greater emphasis on light metered snooker, a more seasonal game than pool, he says that it is unlikely that the growth which had been anticipated in the second half will materialise. The pre-fax result was struck after interest received added 16,000 (payable £8,000). Tax took £14,000 (nil).

Pentland sales

ahead first half

Mr Stephen Rubin, chairman of Pentland Industries, told shareholders at the annual meeting that trading for the first six months had been at a sub-stantially higher level than last

Mountleigh soars 49% to £2.5m

THE Mountleigh Group returned results ahead of directors' expectations for 1984-85 and looks to the current year for further substantial progress.

pleted and fully let the invest-ment value of the property will are as where the supply of private housing is very limited and already almost half of this year's

substantial progress.

For the past year, to April 30, 1985, total income surged from £6.59m to £20.37m, generating pre-tax profits of £2.53m, compared with a previous £1.7m, an improvement of 49 per cent.

And with earnings emerging 8.89p ahead at 35.4p the dividend for the year is being increased by 1p to 6.5p net by a final of 4.5p.

The directors say this year promises to be both exciting and rewarding and should see the group make further substantial progress.

group make further substantial progress.

Along with its preliminary results Mountleigh says it has contracted to acquire for £6.5m, 42-70 Kensington High Street, which comprises a Woolworths store, five retail units, approximately 32,000 sq ft of offices and 45 flats.

45 flats.
The group plans to refurbish the retail and office elements and anticipates that when com-

ent is issued in compliance with the requi

Trilion plc

Registered in England No. 1745353

Placing by Capel-Cure Myers

of 2,563,000 ordinary shares of 10p each

at 73p per share.

Trilion plc and its subsidiaries provide live outside broadcast, post production and production services at many major televised events. The Group also televises and produces light entertainment, drama

Application has been made to the Council of The Stock Exchange for

the whole of the issued share capital of the company to be admitted to the Unlisted Securities Market. A proportion of the shares being placed is available to the public through the market. It is emphasised that no application has been made for these securities

Particulars of the company are available in the Extel Unlisted

Securities Market and copies of such particulars may be obtained during usual business hours on any weekday (Saturdays and Bank

CAPEL-CURE MYERS

MEMBERS OF THE STOCK EXCHANGE

Bath House, Holborn Viaduct, London EC1A 2EU

3rd July 1985

Holidays excepted) up to and including 19th July 1985 from:

Share Capital

placed in the United Kingdom.

Angell Care

Incorporated (incorporated in the State of Delaware, U.S.A.)

Private Placing of

U.S.\$1,700,000

in Unregistered Common Stock

The undersigned arranged for the exercise of options into the

investors.

Mathercourt Securities Limited

45, Bloomsbury Square

London WC1A 2RA

28th June 1985

Authorised

and music programmes.

to be admitted to listing.

above shares which have been subscribed for by institutional

Mountleigh has also purchased housing is very limited and 164 acres of industrial land at laready almost half of this year's build programme is reserved.

Mil, with a rental income in excess of £250,000 per annum it has already agreed land sales of some 60 acres, the total proceeds from which will exceed year and the directors are conthe original purchase prices and leave the rental income virtually intact.

The group now proposes sub-

ine group now proposes, subject to planning, to carry out a f1.2m to f2.84m and tax from composite redevelopment on the f1.2m to f2.84m and tax from f1.2m to f53.000.

At year-end assets per 25p ordinary share totalled 358.93p generation of this part of (314.51p) or 350.33p (314.51p) fully diluted for conversion of the loan stock. Shareholders'

year under review rose from

£16,000 to £53,000.

At year-end assets per 25p ordinary share totalled 358,93p (314,51p) or 350,33p (314,51p) fully diluted for conversion of the loan stock. Shareholders' funds stood at £25m (£22m). generation of this part of (314.51p) or 359.33p (314.51p)

Essex" and create several hundred jobs.

Total income for 1984.85 was made up as to sales £16.26m (£23.39m) and rental income £4.11m (£3.21m) — Mountleigh, considerably strengthened by based at Pudsey, West Yorkshire, is engaged in property investment and development.

The Mountleigh Homes (Scotland) division is well established to (314.51p) or 359.33p (314.51p) year.

At the EGM, shareholders passed a resolution approving the public offering in the U.S. of shares in its sports shoe distributor. Reebok, and giving the directors a general authority to agree the final terms and implement arrangements.

The Mountleigh Homes (Scotland) division is well established

DELMAR GROUP of rubber and plastic processors has lifted sales by 24 per cent to £2.97m and profits by 49 per cent, from £247,000 to £371,000, in the year ended March 31 1985. Earnings ahead 69 per cent to 3.92p and dividend to be 1.85p net per share (1.68p). Current year started well. This USM group continues to introduce new products and processes aimed at complementary parts of the market.

market. NETI TECHNOLOGIES, listed in Vancouver, has arranged a private pigement of 200,000 common shares with a group of British pension funds at C\$6.75 per share. The institutions will be granted the option to pur-chase an additional 200,000 shares at CS7 per share exercis-able within 30 days.

Secretary, Mr Norman Tebbitt,
STORMGARD'S contested offer for Selincourt has been accepted by 57.2 per cent of the ordinary to shares, bringing Stormgard's bringing the total acquired by holding up to 61.6 per cent. The preference offer has been taken in respect of 51.1 per cent and both offers remain open. The

COMPANY NEWS IN BRIEF The appropriement of this second stage bealth-care financing appears as a matter of record only. It is not an invitation to purchase or tender for these shares which have all been

RUGBY PORTLAND Cement's offer for John Carr (Doncaster) has been accepted by holders of 54.96m of the ordinary shares. Together with the 1.75m shares held before the offer and the 8.48m bought since, Rugby Portland has acquired or received acceptances for 95.2 per cent of the issued ordinary capital and the offer has been declared unconditional.

This will be met by £285,000 ordinary, however, still has conditions attached. The alternative ditions attached. The alternative diti

EXETER BUILDING and Construction is in discussion with Baileys Roofing—a private company trading from Bristol—which is expected to result in the latter joining the EBC group. Baileys' trading would continue normally thereafter and continued employment of existing staff is expected. LEWMAR, a Havant, Hampshire, company making winches, rigging, and other equipment for yachts, is being floated on the USM later this month with a market capitalisation of £25m to £30m, by means of an offer for sale by brokers Phillips and Prow staff is expected.

BRICOMIN Investments has increased its holding in J. N. Nichols (Vimto) to 6.47m ordinary shares (35.06 per cent) following conversion of all the £1.09m 10 per cent unsecured loan stock 1981-80. Bricomin is a subsidiary of British & Commonwealth Shipping. CONSOLIDATED GOLD FIELDS has sold Bell and Sons, comprising the agricultural division of following conversion of all the \$1.09m 10 per cent unsecured loan stock 1881-80. Bricomin is a subsidiary of British & Commonwealth Shipping.

MARLBOROUGH Property Holdings. through its subsidiary

Issued and to be

Issued fully paid

£935,000

ings, through its subsidiary Chown Investments, has conditionally agreed to acquire a freehold interest in the Solent Industrial Estate for £2.79m.

SECURITY EXPRESS'S acquisi-tion by Mayne Nickless (UK) is not to be referred to the Mono-polies Commission, the Trade Secretary, Mr Norman Tebbitt,

LEWMAR, a Havant, Hampshire,

BOARD MEETINGS

dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

Finals— Intasun Leigure TODAY Interims: Nortolk Cepital. Memcon International July 9
Finals: Birmingham Mint, Equity ConMercantile House July 31

This advertisement is issued in compliance with the requirements of the Council of The Stock Exchange. It does not constitute an imitation to any person to subscribe for or purchase any securities. The convertible unsecured loan stock referred to herein has been admitted to the Official List by the Council of The Stock Exchange.

R. E. A. HOLDINGS plc (Registered in England No. 671099)

Issue of up to £1,351,612 nominal of 12 per cent. convertible unsecured loan stock 2000 ("new convertible stock") of R.E.A. Holdings pic pursuant to the recommended proposal relating to the convertible unsecured loan stock 1996/2000 of Applied Botanics

Copies of the listing particulars containing details of the new convertible stock are available in the Extel Statistical Services. Copies of the listing particulars may also be obtained during normal business hours today and tomorrow from the Company Announcements Office of The Stock Exchange and on any weekday (Saturdays and public holidays excepted) up to and including 22nd July, 1985

R.E.A. Holdings pic, The Old Rectory, 29, Martin Lane, London EC4R DDS

N. M. Rothschild & Sons Limited, New Court. St Swithins Lan London EC4P 4DU

Laurence, Prust & Co., Basildon House, 7/11 Moorgale, London EC2R 6AH

3rd July 1985

This advertisement is issued in compliance with the requirements of the Council of The Stock Exphange

(Innorporated under the Companies Acts 1948, Registered in England No. 575855)

SHARE CAPITAL

Authorise £250,000

Placing by Strauss, Turnbull & Co. Limited of 2,750,000 Ordinary Shares of 2.5p each at 44p per share

in Ordinary Shares of 2.50 each

John Michael Design PLC is a lending design consultancy in the United Kingdom, providing services to clients in he United Kingdom and overseas. Its services include retail design, precinct design, graphic communication, botel and leisure design, project management and the design of hairdressing salous, offices, banks and residential properties.

Application has been made to the Council of The Stock Exchange for the grant of permission to deal in the Ordinary Shares of John Michael Design PLC on the United Securities Market. A proportion of the shares being placed is available for application by the public through the market during market hours today. It is emphasised that no application has been made for these securities to be admitted to listing.

Particulars relating to the Company have been circulated in the Extel Statistical Services and copies of such particulars may be obtained during usual business hours on any weekday (Saturdays and public helidays excepted) up to and including 17th July, 1985 from:

United Trest & Credit PLC 55 Grosvenor Street London WIX 9DA

Strauss, Turnbull & Co. Limited 3 Moorgate Place London ECIR 6HR

George Wills & Sons (Holdings) Plc

Epworth House, 25-35 City Road, London EC1Y 1AN Telephone: 01-606 6331 Telex: London 883323 Wills G

Change of Name

As from 1st July, 1985, the Company's name has been changed to



Wills Group Pic

The Company's address, telephone and telex number

This advertisement is published by The Burton Group ple, whose directors including those who have delegated detailed supervision of this advertisement: have taken all reasonable cure to custure that the facts stated and opinions expressed herein are fair and accurate. Each of the directors accepts responsibility accordingly.

Debenhams have boasted a large increase in earnings per share over the last three financial years.

In reality profit per share attributable to ordinary shareholders only increased by 15% a year.

Burton have achieved annual growth of 33% in the same period. In fact, since Mr Thornton became Chairman, Debenhams record looks even worse - virtually no growth at all in attributable profits per share since 1981/82. Burton's on the other hand have

Burton management can achieve this kind of growth from Debenhams assets.

The message is clear, Back Burton.

increased by more than 100%.

Debenhams promises-Burton delivers.

The Burton Group habitat/mothercare

NOTICE OF REDEMPTION

PRIVATBANKEN A/S

NOTICE TO THE NOTE HOLDERS OF 12%% NOTES DUE 6TH FEBRUARY, 1995

Notice is hereby given that pursuant to the terms of the 12½°, Notes, US\$9,310,000 principal amount of 12½°, Notes has been drawn by lot by the undersigned, in the presence of a notary public, for redemption on the 1st August, 1985.

The said 12½°, Notes so called for redemption will therefore be redeemed on the 1st day of August, 1985 at 101°; of the principal amount so called, plus accrued and unpaid interest to the date of redemption if applicable upon surrender of the said Notes with, thereto attached, all interest coupons, maturing 6th February, 1986, and thereafter at any of the following paying agents:—

- Manufacturers Hanover Limited, 7, Princes Street, London EC2P 2EN.
 Manufacturers Hanover Bank Belgium S.A./NV., Brussels Head Office, Rue de Ligne 13, B-1000
- Manufacturers Hanover Bank Luxembourg, S.A.,
- 39 Boulevard Prince Henri, Luxembourg. Manufacturers Hanover Trust Company Stockerstrasse 33, 8027 Zurich.

Notice is also hereby given that interest upon Notes so called for redemption shall cease to be payable from and after the said redemption date, namely the 1st day of August, 1985 and coupons for interest maturing after the said date, namely the 1st day of August, 1985, The numbers of the Notes so called for redemption are

00401	00864	00900	00943	00971	01420	01924	02312
02421	02948	03107	04337	04620	04653	04682	05001
05862	06077	06309	06325	06417	06609	06728	06731
06777	07161	07228	07307	07536	08579	09336	09551
09950	10617	10722	11482	11520	11807	12212	13228
13242	13268	13290	13321	13421	13753	14319	14588
14746	15229	15393	15410	17153	17642	17753	18195
10707	IRRES	19202	19257	19485	19601		

15 27 30 41 45 63 72 73 98 The principal amount of $12\frac{1}{4}\%$ Notes outstanding after the said redemption date will be US\$61.670.000. Also, all Notes of which the last two digits of serial numbers are any of the following:

MANUFACTURERS HANOVER LIMITED Principal Paying Agent

3rd July, 1985

15 (1**V**E

purk

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CONTRACTS

BASE LENDING RATES

- ABN. Bank 121%
 Allied Irish Bank 121%
 American Express Bk. 121%
 Henry Ansbacher 121%
 Amro Bank 121%
 Associates Cap. Corp. 13 %
 Banco de Bilbao 121%
 Bank Hapoalim 121%
 BCCI 121% Banco de Bilbao 121%
 Bank Hapoalim 121%
 BCCI 121%
 Bank of Ireland 121%
 Bank of Cyprus 121%
 Bank of India 121%
 Bank of Scotland 121%
 Bandue Belge Ltd. 121%
 Barclays Bank 121%
 Beneficial Trust Ltd... 131%
 Brit. Bank of Mid. East 121%
- Brown Shipley 12:5%
 CL Bank Nederland 12:5%
 Canada Permanent 12:5%
 Cayzer Ltd. 12:5%
 Cedar Holdings 13:5% Charterhouse Japhet... 121% Choulartons**
- Duncan Lawrie 121%
 Dunbar & Co. Ltd. 121%
 E. T. Trust 13 %
 Exeter Trust Ltd. 13 %
 First Nat. Fin. Corp. 131%
 First Nat. Secs. Ltd. 131% ■ Robert Fleming & Co. 121% Robert Fraser & Puns. 131% Grindlays Bank 121% ■ Guinness Mahon 121% ■ Hambros Bank 121%
- - Committee.

 7 day deposits 95,%, 1 month 104%. Top Tier—£2,500 + et 3 monthly notice 121,%. At call when £10,000 + remains deposited.

 Call deposits £1,000 and over 91,% gross. 1 21-day deposits over £1,000 1012%.

 Mortgage base rate.

 See Provincial Trust Ltd. Mortgage base rate.
 See Provincial Trust Ltd.
 Demand deposits 91411.

Phoenix Timber dispute may continue in courts

UK COMPANY NEWS

BY DAVID GOODHART

THE ARGUMENT over control of Phoenix Timber could spill over into the courts following yesterday's announcement by Mr Dennis Cook, the chairman, that voting at Monday's extraordinary general meeting had given a 53 per cent to 47 per cent victory to the board.

A group of dissidents, led by a board member Mr Michael Hermann, had been seeking to appoint three non-executive directors to the board.

The closeness of the vote, and a number of legal questions raised about some of the proxy votes, led to the announcement of THE ARGUMENT over control of Phoenix Timber could spill over into the courts following yesterday's announcement by Mr Dennis Cook, the chairman, that voting at Monday's extraordinary general meeting had given a 53 per cent to 47 per cent victory to the board.

A group of dissidents, led by a board member Mr Michael Hermann, had been seeking to appoint three non-executive directors to the board.

The closeness of the vote, and a number of legal questions raised about some of the proxy votes, led to the announcement of the result being delayed until yesterday morning.

On a turnout of just less than

the light of the advice he had received from counsel.

It appears that the objection to the proxy cards was based on an interpretation of the company's articles of association. The dissidents allege that some institutional representatives voted without proper authorisation. The board says that the way in which they cast their votes is traditional. If it was successfully challenged most companies would have to change their existing practices.

practices.

An exceptionaly high turnout of small investors clinched the result for the existing board, which won 47.5 per cent of votes cast to the dissidents 42.5 per cent

British Vita expands in Europe

British Vita, the foam fabrics and fibres company, has purchased the foam interests of the Belgian chemical group, Solvay, for 16.4m in cash.

The deal, which is to be funded mainly through additional Deutschemark bank borrowings as well as the company's own cash resources, concerns foam manufacturing plants in the Netherlands and West Germany, and a licensing company in Switzerland. According to the latest finan-cial accounts for the year ended

December 1984, these interests reported pre-tax profits of £1.15m on turnover of £33m, with a net book value of £7.1m.

£1.1m mortgage attached to it. He also said that appreciation in the value of sterling against the Deutschemark and the Guilder since March had also reduced the value of the deal in sterling terms.

book value of 17.1m.

However, in March of this year, when British Vita first announced it would purchase Solvay's foam interests, the price then quoted was 19m—a figure nearly 30 percent higher than the price actually paid.

Mr William Holt, British Vita company secretary, said yesterday that the lower price was due to the fact than the German factory was now being acquired with a lowever, in March of the Guilder value of the deal in sterling terms.

British Vita said yesterday that the deal would give the group a strategic presence throughout northern Europe and within its major product areas.

On completion British Vita paid £3.95m of the purchase price to the vendors, with the balance payable in January 1986.

out of reserves.

Regenterest made a half year profit of £114,702 to October last year, following a los of £40,928 in the same period the previous

Savoy Hotel

Sir Hugh Wontner, former chairman of Savoy Hotel, has retired as trustee of the trusts which hold the company's vital

place as trustee.

"No shares have changed hands or been disposed of," the Savoy said last night. The trust's control about 40 per cent of B shares, which hold the key to votes in the company.

Regentcrest may become investment vehicle

REGENTCREST, a small Belfasthased property company, could
become an investment vehicle
for the private property
developers, twins Mr Roy and
Mr Don Richardson.

The Regentcrest board announced yesterday it had
accepted an offer of 27.5p cash
for each ordinary share, valuing
the company at £4.24m.

On Monday Dudley, owned by
the Richardsons, lought 3.54m
ordinary shares (22.98 per cent)
at 27.5p. conditional upon
Regentcrest's acceptance of the
wider offer.

rider offer. The Richardson's, who have

wider offer.

The Richardson's, who have concentrated their development activities in the West Midlands, have said they want to keep the share outte. They plan to sell up to 23 per cent of the shares—a little less than 4m—to the public once they have gained control. One million shares (about 6 per cent) will go to Rhone Trust, a company controlled by Mr Peter Scott and Mr Jack Cohen, directors of Regenterest, A further Im will go to Mr Chris Charlton, an accountant, who will become managing director of the new company. The remainder will be held jointly by the Richardsons. The directors of Regenterest together own 36 per cent of the shares and have given irrevocable undertakings to accept in respect of those shares.

The Richardsons said Regenterest would be expanded by the introduction of new property investment and development business by the new shareholders. Wr Rov Richardson said that the financing of the deal had come out of reserves.

trustee retires

outside the trusts, and that some-one else would take Sir Hugh's

B shares.
The Savoy said yesterday that the shareholdings had not moved middle of 1986.

Dundee unit furniture manufac-turer TVJ, Claverhouse, has won an order worth over £500,000 to supply fitted furniture for the accommodation platform of Marathon Oil's Brae "B" Field. Work has begun and is scheduled for completion by February of next year.

IMI COMPUTING has won an order from Merseyside-based pharmaceuticals firm E. R. Squibb and Sons to develop an Squibb and Sons to develop an on-line database system to streamline its export department. The contract, worth over £100,000, will be undertaken by development staff based at IMI Computing's Birmingham office, accessing the Squibb mainframe at Moreton through IMI Computing's UK-wide SNA network. Completion is scheduled for the middle of 1986.

WALTER LAWRENCE & SON has commenced work on the f1.25m redevelopment of 7 Ludgate Broadway. EC4, on behalf of Guardian Royal Exchange Pensions Management. Work has begun with demolition of the existing building and stripping of the basement. Walter Lawrence will lay bored pile foundations and construct the reinforced concrete frame of the building. The five-storey office building. The five-storey office development will have brick external walls with stone feature bands, and slate and

£5m Davy machine shears irradiated fuel rods

DAVY MeKEE NUCLEAR, Stockton-on-Tees, a Davy Corporation company, has been awarded a contract, worth over 15m by British Nuclear Fuels for the design, supply and erection of shear cave machines, including control systems an dassociated equipment, for the head end of BNFL's Thorp project at sellafield. The contract is scheduled for completion in the second half of 1988. The machine will receive irradiated fuel rods from the head end pond and cut them to suitable lengths for dissolution prior to reprocessing in which uranium, plutonium and fissions products will be separated. It will be operated within a concrete cave and the contract includes the design and installation of the control system required for remote operation. Design standards are for minimum maintenance over the life of the plant.

The Guinness Trust Housing

is on schedule for completion by mid-1986. The Guinness Trust Housing Association has awarded two contracts together worth nearly flm to CORRALL CONSTRICTION of Wallington, Surrey. A five storey block of 40 flats at Stamford Hill, N16, will be converted to provide 38 new units with extensive internal and external modernisation, repaire and rebuilding. Work on the contract, worth £812,000, will include the installation of two lifts and will be due for completion in June, 1986. At Holbein House, London, SW1, the contract is worth £122,894. It includes demolition of two blocks and erection of an estate office and store with adjoining covered refuse bin A £3m contract to develop the Republic of Ireland's first planetarium at Dun Laoghaire, Eire, has been awarded to TANDATA IRELAND, Irish subrandary of the Jarard Group of liford. The planetarium will incorporate a civic centre and a community hall with seating for up to 500 people, as well as a restaurant and an exhibition centre.

FARREL BRIDGE, Rochdale, a unit of the U.S.-based Emhart Corporation, has won orders worth £2.5m to supply three lines worth £2.5m to supply three lines of mixer compounding equipment for rubber and plastics processing to the Chinese Peoples Republic. Each line consists of an £270 Banbury Mixer, 15 in x 18in Extruder, 16 in x 38 in Sheeter and Festoon Colling Line. The contracts include the supply of spare parts and supervision of erection. adjoining covered refuse bin area. The contract is due for completion in December.

Elixir Industries of Douglas, Georgia, U.S., has ordered an extrusion press worth over £500,000 from FIELDING & PLATT, Gloucester.

DAF TRUCKS, Holland, has won a further order from international aid organisation World Vision for the supply of vehicles for famine relief work in Ethiopia. Following recent delivery of 24 vehicles, the new order is worth 10m guilders (£2.5m) and involves 60 trucks.

Contracts worth over £2m have been awarded to WELDWORK CARGO SYSTEMS, Hounslow, by British Airways for the design and supply of air freight container handling systems for its cargo warehouses at London Heathrow and Manchester Airports.

The Home Office has awarded a £3.36m contract to R. M. DOUGLAS CONSTRUCTION for DOUGLAS CONSTRUCTION for building a gate complex at H.M. Prison, Parkhurst, Isle of Wight. With a contract period of two years, works include a new main entry and vehicular entrance, a visiting area, reception and discharge area, all with amenities, together with administration offices, emergency control area metal-clad roofs set on a steel and plant rooms. Work will start and timber structure. Work will in August.

Rowlinson

Mr P J Rowlinson, Chairman, reports on the year ended 31st March 1985

* Pre-tax profit £769,033

* Annual dividend held

 Empty industrial units being leased Further increase in rental income

 Progress being made on new property developments Accounts available from the Secretary ROWLINSON SECURITIES PLC London House, London Road South, Poynton, Cheshire SK12 1YP

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4.8 7.5 9.0 7.1 — 9.0 7.2 7.5 9.8 7.8 4.6 7.7 2.5 20.7 20.7 6.1 7.8 9.0 7.4 4.0 3.8 14.9 — 3.8 12.7 — 14.1 4.4 7.1 9.3 10.9 14.0 600490 10.490 12.791 10.751 10.751 17.9

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CORPORATE **FINANCE**

> The Survey on Corporate Finance, that was due to be published today, will now appear in the edition of Wednesday 10 July 1985

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Felton division for £19m

Pauls buys

Pauls, the animal feed and malt group bought by Harrisons & Crosfield for £116m last March, has gone ahead with the purchase of the flavours and fragrances business of Feiton International Inc for \$25m (£19m).

Pauls announced in February that it had acquired an option to buy the Felton division but said it would not go ahead with the deal until the bid battle was

Harrisons said yesterday that Pauls had now exercised its option after Felton's vendors had discharged liabilities amounting to \$4m. The Felton operations have a turnover of \$40m in North America, France, Mexico, the UK. Hong Kong and Italy.

Micro Focus warns of deficit in first half

BY STEFAN WAGSTYL

Micro Focus, the software house whose shares have plumetted on the stock exchange in the wake of the announcement of reduced profits for 1984, has warned that

profits for 1984 has warned that it might make a loss in the first half of 1985. Writing in the annual report, chairman Mr Brian Reynolds says: "There is some risk of a loss being recorded in the first half of 1985. The actions we have taken in the first half year should however have a beneficial effect in the second half of 1985."

Last month the company announced a 20 per cent cut in the workforce, shedding 60 jobs, to reduce costs.

to reduce costs. The report and account also discloses that the company's executive directors waived any renumeration for 1984. In May 1985 high of 970p.

the group announced pre-tax profits of £700,00 for the 60 weeks to the end of January, compared with £2.8m in the previous year.

The group said its expansion, particularly in the U.S., coincided with difficult trading conditions, and it extended greater credit to customers. The report shows net trade debtors of £9.3m, against £4.2m. Micro Focus advanced loans to

two companies — £443,000 (\$500,000) to The Santa Cruz Operation Inc., and after the balance sheet date \$365,000 to Phaser Systems Inc. a U.S. software company. The shares closed last night

at 195p, up 20p, compared with a

Holidays and Travel

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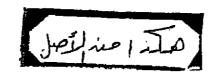
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PHILLIPS KAY & LEWIS

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Amsterdam, 27th June 1985
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NOTICE TO HOLDERS OF (NEDERLAND) N.V. 161% Guaranteed Bonds, 1989

The Secretary
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FT COMMERCIAL LAW REPORTS

Separate consignments not 'successive'

ARCTIC ELECTRONICS CO (UK) LTD v McGREGOR SEA & AIR SERVICES LTD Queen's Bench Division (Commercial Court): Mr Justice Hobbouse: June 25 1985

CARRIERS OF goods in separate iots under separate consignment notes are governed by separate contracts, carriers under a single contract, though employed by the same employer; and accordingly, the presence of one carrier within the jurisdiction will not justify service on another out of the juris-diction in respect of the employer's claim to be in-demnified for liability for damaged goods.

THE SHE

Xis

diction in respect of the employer's claim to be indemnified for liability for damaged goods.

Mr Justice Hobbnouse so held when giving judgment for Transport International A Lies of Luxembourg ("Lies") on its interlocutory summons to set aside a fourth party notice served on it in Luxembourg by Cargohux Aerolines International SA, also of Luxembourg. Cargolux sought to bring in Spa, 16 Spa was served in the jurisdiction and had in Spa was pointed as third party by defendant, McGregor Sea & Air Services Ltd, in an action brought by Arctic Electronics Co (UK) Ltd.

Transport of goods abroad by

headed "Provisions relating to successive carriers."

Article 342 of CMR provides:

"If carriage governed by a single contract is performed by successive road carriers each of them shall be responsible for the performance of the whole operation... under the terms of the consignment note..."

Article 39 provides: "A carrier wishing to take proceedings to enforce his right of recovery may make his claim before the competent court or tribunal of the country in which one of the carriers concerned is ordinarily resident..."

HIS LORDSHIP said that in 1981 carriage of the goods from Taipei to Edinburgh. McGregor claimed to have em-

ployed Cargolux to carry them from Taipei to London Cargolux from Taipei to London. Cargolux disputed that. It said it was only employed as carrier from Taipei "carriers concerned" included to Luxenbourg and was to act as forwarding agent for a road leg from Luxenbourg to London.

The goods in 1901 cartons resident in England, proceedings in 1901 cartons.

ACROSS 1 Get rescue organised (6) 4 Drop what may have a bad

(7, 2)
11 Low point for a beast (5)
12 Benefit from a drink (4)

effect on the viewer (8) 8
10 Enticing a dog in to rest 9

13 Start of play (5, 5) 17
15 Come to a sensible conclusion? (7) 18
16 Make certain the fool has 20
running water (6)

27 Gives satisfaction, being in accord (5)

DOWN

stress is praised (7, 2)

a single air waybill issued by That cont Cargolux, giving the destination supported.

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- 15.)

 $_{i_{\mathcal{Q}^{(1)}}} \in \mathbb{R}^{2d}$

London, but saying "to Lux" by employed Lies under a consign-first carrier and "to Lon by ment note to carry 476 cartons. Justice Brandon said obiter that truck." None of the other fourth parties article 39.2 should be read in

carlons from Luxembourg to London, and a CMR consignment note was issued. It employed another Luxembourg carrier, Sotrai, to carry 490 cartons to London under another CMR con-signment note, and an English

Co (UK) Ltd.

Transport of goods abroad by road is regulated by the Convention for the International Carriage of Goods by Road ("CMR"). Effect is given to CMR in the Uk by the Carriage of Goods by Road Act 1956.

Chapter VI of CMR, as set out in the Schedule to the Act, is headed "Provisions relating to successive carriers."

Article 342 of CMR provides:

"If carriage governed by a Cargolux said that Lies was a successive" road carrier within the meaning of Chapter VI. claimed that under article 37 of CMR it was entitled to recover from Lies whatever it might have to pay to McGregor or Arctic article 342 of CMR provides:

"If carriage governed by a Cargolux sought to justify

Cargolux sought to justify leave to serve Lies out of the jurisdiction under RSC Order 11 rule 1(g), on the basis that the contract was broken within the jurisdiction, in that the goods were to be delivered undamaged at London

Alternatively, it sought to justify leave under paragraph

concerned" did not include the carrier making the claim, but Arctic bought 200 video game only the successive carriers machines made in Taiwan. It against whom the claim for conemployed McGregor to arrange tribution or indemnity was made.
Lies was resident and had its

principal place of business in Luxembourg, so that article 39 The goods, in 1,304 cartons in England were authorised by were shipped from Taipei under article 39.2.

a single air waybili issued by That contention could not be

F.T. CROSSWORD PUZZLE No. 5,759

After their arrival at Luxemburg airport the goods were consignment, and Lies was not spilt into three lots. Cargolux successive carrier for the conemployed Lies to carry 476 signment carried by them carrons from Luxemburg.

Luxembourg to London consignments were governed by a "single contract" within article

Stage contract within article 34. namely the contract between Cargolux and McGregor.

That was not a proper reading of article 34. There were separate contracts with each of the fourth position. There were separate contracts with each of the fourth position. the fourth parties. There was no concept of splitting a consignment note. Article 34 made it clear that "successive carriers" operated under a single consignment note.

ment note.

In the present case one consignment note was issued in respect of the 476 cartons. Different consignment notes were issued in respect of the 486 and 490 cartons. It could not be said that within CMR Lies. Sotral and Spa were successive carriers.

If Cargolux could not justify leave under article 39.2 and RSC Order 11 rule 1(1), could it nevertheless do so under Order

11 rule 1(g)?
The Rules of the Supreme Court took effect subject to any relevant statutory provision. CMR was part of an Act of Parliament which gave it the force of law in the UK. The Act also excluded other rights to contri-bution (see section 5). The Act and CMR must be treated as paramount. Provisions such as the present were intended to be self-contained code within which a plaintiff must found his jurisdiction (See Rothmans r

Lies argued that article 39.2 should be construed as providing for a compulsory and exclusive jurisdiction

Saudi Airline [1981] QB 368,

Article 31 [which specified the courts in which a plaintiff's action might be brought] did so provide because it included the words "and in no other courts or

the same way. Lord Justice Eveleigh, also obiter, preferred the opposite view.

His Lordship preferred Lord Cargolux argued that all three Justice Eveleigh's view, Article uxembourg to London consign 39.2 was drafted in different terms from article 31.1. In article 39.2 the natural meaning should

Also, article 39.1 contemplated that the successive carrier might voluntarily join in a Chapter V action [between goods-owner and carrier]. Such an action might or might not be in a jurisdaction authorised by article 39,2. Therefore, to give article 39.2 a com-pulsory and exclusive effect would not be consistent with the

proceedings contemplated and authorised by article 39.1.

The correct interpretation of CMR was that it authorised the jurisdiction in article 39.2. The result was that when Order 11 rule 1(1) was applied, article 39.2 must be given effect to a size of section. 39.2 must be given effect to as it was in Cummins, and must be treated as defining the scope of the extra-territorial jurisdiction permitted to a CMR state. Article 39.3 led to the same connevertheless do so under Order

clusion.
It followed that a claimant could not rely on Order 11 rule 1(g) in respect of a CMR claim. He must make out his case for extra-territorial jurisdiction under paragraph (1) and CMR. Leave must therefore be set aside and all proceedings under the fourth party notice against Lies likewise to be set aside. Even if that were wrong, it was not a suitable case for leave. Both parties were resident in Luxembourg and there was no sufficient reason why any litiga-

tion between them should not take place there. For Cargolux: A. Allison Beaumont). For Lies: Elizabeth Birch

By Rachel Davies

IRAN SURVEY

Reprint A bound reprint of this Survey

is now available from: Nicola Banham

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APPOINTMENTS

Lloyds Bank Tokyo HQ

michaet Ruling, currently princtpal manager of the Far East
division in London, who is
appointed general manager. His
deputy will be Mr Michael
Green, currently regional manager, South East Asia. The new
& Johnson Development Corpor-Asian headquarters will become operational in October. The existing branches in Tokyo and Osaka will continue to carry out Japanese commercial banking operations. The international division is one of five operating

managing director of Francis Industries.

At the SOLICITORS' LAW STATIONERY SOCIETY Sir Edward Singleton has stepped down as director and non-executive chairman. Sir John Swanborough has resigned as group managing director to pursue other business interests. Lord Silkin of Dulwich, former Attorney General, has been elected non-executive chairman and Mr Robert Maxwell as non-executive director. Mr Kevin Maxwell, deputy publisher of Pergamon Press was appointed group managing director.

* Mr Isia Lynn has been appointed to the board of MURRAY JOHNSTONE. Some will sign it eagerly and make light of it (6) make light of it (6)

14 Reckon a man would accept a puppet (10)

17 The odd athlete is a smuggler (3-6)

18 View? Some hope! (8)

20 The movement away from the land (3-4) 21 A quarter lock—emphasise 21 The ship's pilot getting about a thousand (7)
23 Run to earth in the South

24 Her backing makes one keen

PEAT MARWICK has appointed Mr John Calvert as head of the management services department for the northwest MURRAY JOHNSTONE.

SCHRODER SECURITIES has made the following board appointments: Mr Rapert Calderegion.

Mr Antony R. Kench has been appointed UK managing director for the Scandinavian computer consultancy company ENATOR. He was previously UK managing director for Geisco.

ALEXANDER HOLDINGS has appointed Mr Martin Acland as a director. A former director of Mercantile Credit and recently retired, he takes up his new appointment on July 15.

LLOYDS BANK is to establish in Tokyo a headquarters for international division operations in Asia. It will be headed by Mr Hospital, Mr J. A. C. Hill (a manager of the Far East division in London, who is Smith (chairman of Capel-Cure appointed general manager, His Myers and a division. ation) and Dr Paul M. Whitney (managing director of ClN Industrial Investments, venture and development capital arm of the National Coal Board Pension

division is one of five operating divisions of the new structure of Lloyds Bank, which came into effect on July 1 in advance of the formal merger of Lloyds Bank International with Lloyds Bank pic.

**

MICROVITEC, Bradford, has appointed Mr David Burnet as a non-executive director. He is managing director of Francis

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Mr Eardley E. C. Berkeley has been appointed chief operations director of WORDPLEX INFORMATION SYSTEMS. He will continue as finance director and company secretary. Mr Michael Arnold joins the board as group marketing director. He was previously responsible for international operations.

Mr Paul Orchard-Lisle, deputy Mr Clive Brooks has been senior partner in Healey and appointed group financial controller of BIRMID QUALCAST.

On the ROYAL INSTITUTION OF CHAPTERED STRUCKS OF THE PROPERTY CHARTERED SURVEYORS.

Mr Iain Lynn has been appointed to the board of MURRAY JOHNSTONE.

colt to Schroder Securities UK; and Mr Kevin Brady to Schroder Securities Hong Kong. Helbert Wagg and Co, Anderson Bryce Villiers, the 29.9 per cent stockbroking associate of Schroders has appointed Mr Clive Fleckney as a director and head of the UK sales team. He previously held senior positions with Phillips and Drew and Rowe and Pirman

Sir David Steel and Mr Andrew Rutherford have been appointed to the board of KLEINWORT, BENSON, LONSDALE, holding Mr Edward Shobet has been appointed a non-executive director of HAMPTON. Mr. L. E. T. Hue Williams has resigned as a non-executive man of the Wellcome Trust and

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management board appointments comprise as chairman Sir CAPITAL VALUE BROKERS Anthony Burney; as investment has appointed Mr Martin P. Drew directors Mr Gordon D. Dean. to the board. He joins from Mr Paul F. Frampton, Mr Kleinwort Benson where he was David O. May and Mr Fred H. Offer; and as non-executive division.

28 No silence could be taken as disrespect (9)
29 Not a good achiever (8)
30 Slip back into the gun room I People engaged in trade may well be nameless (8) 2 Prize housing subjected to Getting service in the fall 5 Dicky is a name for forget-ting! (7)

Solution to Puzzle No. 5,758

6 Conduct a large number—official (10)
7 A wish to be in company (5)

8 Entertains doctors (6)

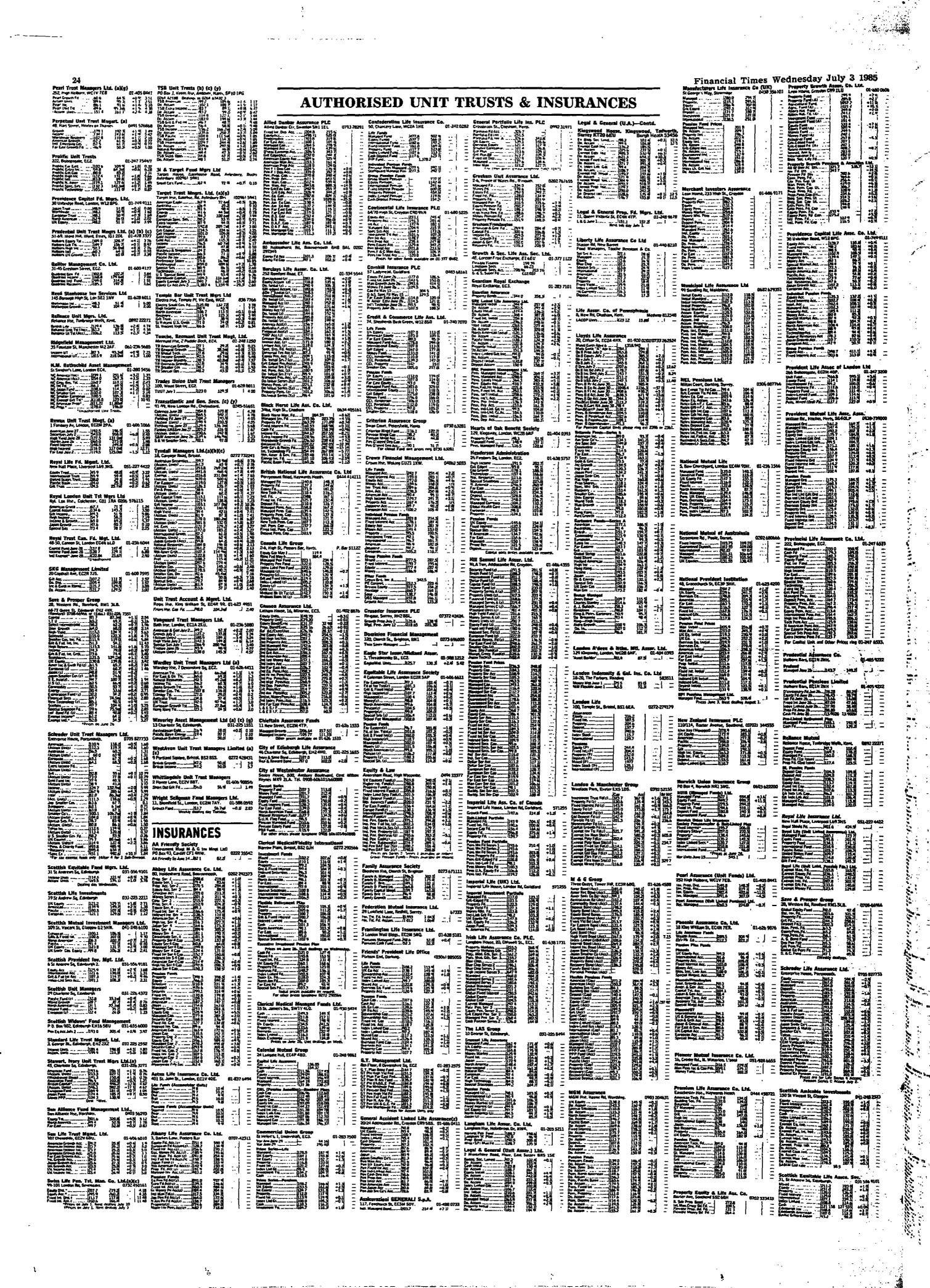
The Financial Times is proposing to publish a survey on

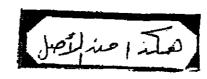
east (10)
25 Deplores foreign ways (4)
26 Leaf-damaging insect (4)

THE WORLD ECONOMY ON MONDAY 16TH SEPTEMBER

Advertising copy date for this survey is Monday 2nd September For further information please write to or telephone

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Malaysia hits out at curb on London tin trading

BY WONG SULONG IN KAULA LUMPUR

MALAYSIA IS prepared to not have adequate tin supplies consider the speedy introduction of tin futures trading on the Kuala Lumpur Commodities up to have encouraged this Exchange to provide an alterna-tive to the London Metal Ex-change, if the International Tin Council is prepared to support the move, Datuk Paul Leong, Malaysian Minister of Primary longer had any faith in the LME. Industries, said here yesterday. He added that Malaysia would allow tin from Indonesia and Thailand to be traded on the Kuala Lumpur physical tin market if the Tin Council

ngreed.

The Minister said that the LME's credibility was now highly questionable following the moves last week to suspend tin trading and only resume with a £90 tonne maximum daily limit on the premium that could be charged to sellers seeking to delay meeting their

delivery commitments.
"The Exchange's intervention
bears out our contention that the Exchange operates in favour of its members and tin con-sumers." he declared claiming that the LME only acted when the tin price was moving up, but did nothing when prices were falling.

Mr Leong said the LME Board the £90 limit-did not take any preventative The LME zi measures to control traders who thought they could make money by selling heavily when they did three months quotation.

highly speculative activity and when some LME members were caught, the rules have to be changed to protect their interests," he claimed. The Minister said that Malaysia no

Commodities Editor Our Our Commodities Editor writes: Mr Michael Brown, chief executive of the London Metal Exchange, said that the reason trading in the tin market had been temporarily suspended was because it had become "disorderly" with the cash price premiums charged reaching "unacceptable" levels.

He said Malaysia was quite

He said Malaysia was quite entitled to introduce its own tin futures market, although he wondered how international traders would overcome the foreign exchange difficulties that might be involved.

Tin trading remained subdued on the LME yesterday with little price movements as dealers waited for further develop-ments, although no definite date has yet been fixed for lifting

The LME zinc cash price rose by only £2 to £611.5 a tonne

WEEKLY METALS

Weekly metals prices as supplied by Metal Bulletin were:
ANTIMONY: European free market. 99.6 per cent. S per tonne, in warehouse, 2,775-2,850. BISMUTH: European free market, min. 99.99 per cent, S per pound, tonne lots in ware-3.95-4.15.

CADMIUM: European free market, min. 99.95 per cent. S per pound, in warehouse, ingots. 0.67-0.73, sticks, 0.72-0.78. COBALT: European free mar-ket, 99.5 per cent, \$ per pound, in warehouse, 11.30-11.45. MERCURY: European free market, min. 99.99 per cent, \$ per fiask, in warehouse, 290-300. MOLYBDENUM: European

free market, drummed molybdic oxide, \$ per pound Mo, in ware-house, 3.30-3.35. SELENIUM: European free market. min. 99.5 per cent. \$ per pound, in warehouse, 6.35-7.00. TUNGSTEN ORE: European

free market, standard min. 65 per cent. \$ per tonne unit WO., cif, 58-68. VANADIUM: European free market, min. 98 per cent V₂O₅, other sources, \$ per pound V₂O₅,

URANIUM: Nuexco exchange

setback for **Opec price** discipline By Richard Johns

Oman cut

ANOTHER CUT by Oman in its contract oil prices has further dimmed the prospects of the Organisation of Petro-leum Exporting Countries (Opec) reaching agreement on stricter observance of its members official selling rates. Oil companies confirmed yesterday that Oman, a non-Opec producer, had reduced its contract, as opposed to spot market, rate for June to \$25.90 per barrel, down 25 cents on what it charged for May deliveries. This year Oman has

Its move, confirmed by major customers vesterday, will be a damaging blow to Opec and its few members led by Saudi
Arabia genuinely trying to
assert price discipline even at
the cost of another formal
reduction in members' official
selling rates. Oman's output is said in industry circles to have reached 500,000 b/d compared

reached 500,000 b/d compared with 420,000 b/d in 1984.

Its June price compares with one of \$28.55 at the end of last year and the \$28 official selling rate for Arab Light, with the same 34 degree API gravity, which has proved untenable in the present market leading to a drastic drop in the Kingdom's

Oman has doggedly refused to co-operate with Opec even though it is a member of the Gulf Co-operation Council which includes four members of Opec including Saudi Arabia and

Kuwait. It was also reported that the Soviet Union had proposed a contract price of \$25.50 per barrel c.i.f.—including delivery charges—for the first half of July, a 50 cents cut on its offer for June

for June. As a major exporter currently selling as much as 2m b/d in crude and products the Soviet Union is a major influence on the market. Its exports fell early in the year, presumably for climatic reasons, but it now apparently has a large surplus to dispose of and badly needs foreign exchange proceeds from

A SEA-CHANGE in the man-agement of the EEC's cereals regime is signalled in the first draft of the European Commission's Perspectives for the Common Agricultural Policy (CAP) discussion document to be discussed by the 14 Com-

missioners today.

Though there remans at least a week of negotiations within the imposing Brussels' Berlay-ment building as to the final shape of the proposals, the broad trends are now clear. Unsurprisingly, grains policy tops the list as the key to CAP

reform. As ever, the pivotal role of cereals prices—deter-mining as they do costs of livestock production from beef to poultry focuses the attention of the market managers. Equally unremarkably, the options pointed up by the analysis break down simply into a choice between severe price been retrospectively setting its prices according to spot market restraints and the imposition of quantitative restrictions.

What is noteworthy is the starkness with which these choices are laid out, and the truly dramatic changes in the regime that are under considera-

tion to narrow the growing chasm between supply and demand. The paper does not shy away from the scale of the problem it faces. As the Community, according to the latest reports, looks forward to another record harvest, the paper points out that at best another 12m tonnes of grains could be absorbed by

internal demand by 1990.

That leaves up to 20m tonnes with no obvious home. And the mythologies of alternative plementary livestock produc-uses — bioethanol production, tion, and the large number of bioethanol production, uses — bioethanol production, tion, and the large number of tional, measure could be to . In ot for example — are quickly dis- medium sized producers depen- confine the opening of interven- poison.'

missed in the cereals chapter, though they receive unduly sympathetic consideration elsewhere.

dent on grains for their annual tion ments incomes.

It is to this latter group that future support may be target.

latest attempt to grasp the

Nor does the paper ignore the political hurdles it faces before acceptance. The West German veto on even a price cut as small as 1.8 per cent

The paper suggests that "sig-nificant price cuts" combined with increased yields could pro-duce modest increases in pro-duction while at the same time this year, stands as a real ob-stacle to a policy which might call for reductions of as much increasing outlets (presumably by the price displacement on as 20 per cent.

To confront this problem, the discussion document baldly states that on present trends alternative animal feeds) and reducing the cost of export restitutions.

Ivo Dawnay examines the EEC's

the surplus will become "impossible for the Community to manage or finance." a price policy could not, however, be envisaged without some form of income aid, at least on manage or finance." Its proposed solutions to this dilemma will east terror into the heart of the arable farming community. It begins by point-ing out that the EEC has 3.75m cereals producers and that in

seven member states more than

50 per cent of farmers grow But it then goes on to draw careful distinctions between the big grain barons—for example, mixed farmer, who often com-bines cereals growing with com-to farmers.

nettle of grain surpluses

But the paper adds: "Such

a transitional basis, for the most vulnerable producers, who would appear to be the mediumsized group."

Such aids would have to be selective, and, as one option proposed, could be based on the number of hectares farmed.

On the guaranteed threshold system, the paper moots the possibility of applying price cuts when ceilings are exceeded in East Anglia and the Paris in the year of production (as basin—who enjoy markedly opposed to the following year higher incomes—and the rest, as is the case at present). These it divides into the smaller mixed farmer, who often committee the production (as opposed to the following year higher incomes—and the rest, as is the case at present) though it adds that this move mixed farmer, who often committee the production (as opposed to the following year higher incomes—and the rest, as is the case at present).

Another, or perhaps an addi- for the supply of cereals.

Facing the facts of overproduction April or May.

April or May.

A co-responsibility levy is also considered, preferably to be applied at the first point of sale, and possibly differentiated according to the size of farm. according to the saze of larm, in addition, the paper looks at the option of a Cereals Board set up specifically to regulate supply management and export development — particularly is

producers are expected to help finance export costs. finance export costs.

If these options strike fear into the farming community, the quota option is no less daunting. Unlike previous Commission statements, the paper suggests such a move is not impossible. "It should not be supposed," it says, "that a quota system could not be applied in the cereals sector.

"If the administrative difficulties could be overcome for sugar and milk, many of the practical problems could no doubt be overcome for cereals"—possibly at the point of first sale.

That, however, is described as

That, however, is described as likely to inspire higher prices, lower demand, and no improvement in incomes.
Somewhat lamely, the paper

concludes with a disenchanted perusal of a set-aside programme—an option it clearly does not like. But the final conclusion is plain enough. "What is clear is that unless the Community pursues the option of a rigorous price policy outlined (above) it

will be obliged to introduce one or more of the other measures In other words, "choose your

Cocoa pact talks resume today

BY ANDREW GOWERS

a new International Cocoa Agreement in London today with three days of informal consultations aiming to build on tentative progress made at the last full round of talks in

Geneva last March. The new pact would be designed to replace the current ICCA, which is due to expire in September but which will probably be rolled over for another year at a meeting of the International Cocoa Organisation's governing council starting next

easier by the fall in the cocoa price since March. The ICCO price was yesterday quoted at 94 cents a pound, well below the current agreement's theo-retical minimum price of 106

Mr Rene Montes, the Guatemalan chairman of the negotiations, will this week be explor-ing the possibility of calling another full negotiating conference in Geneva in November.

His hopes are founded on However, the meeting's task last-minute signs of compromise

PRODUCERS AND consumers of trying to bridge the gap in March over the price range of cocoa resume their search for between producers and cona new International Cocoa sumers will not be made any ment would support the market. M Denis Bra Kanon, the Ivory Coast agriculture minister, is reported to have signalled his readiness to accept a signifi-cantly lower level of support than his country—the world's largest cocoa producer—had previously been demanding. At the same time, the Euro-

pean Community—the leading cocoa consumer in the absence of the U.S. from the talks-had tabled what it described as a "final" package of proposals incorporating a higher price

U.S. cancels vote on reduction of acreage

BY NANCY DUNNE IN WASHINGTON

MR JOHN BLOCK, the U.S. Block has been using the threat completing work on a new farm it agreed to allow the secretary Agriculture Secretary, has canof the referendum—on support bill. celled plans to conduct a farmer referendum this month on a proposal which would have cut farm bill. U.S. wheat plantings sharply to 54m acres.

Although the secretary is required by a 47-year-old law to hold a referendum if Congress fails to pass a new farm bill this year, it was not necessary to schedule the vote in July. Mr

proposals which have little bear-

Senate passed a bill allowing him to delay the referendum. This he did on Friday after the Senate agriculture committee set July 15 as a deadline for

the loan rate, thus setting lower price floors, it has been unable to agree to what levels prices should drop,

ll. of agriculture to implement a However, senators from farm marketing loan scheme. This ing on current realities—to spur states are still far from agree—would allow the department of Congressional progress on a new ment on major features of the agriculture to give operating Annoyed by this manoeuvre, the House of Representatives passed legislation forcing the secretary to delay the vote. The Senate passed a bill allocation and the loan rate, thus setting legislation to major features of the agriculture to give operating legislation. The committee has legislation to farmers at one level, but to collect the repayment at tory limits on production and, while it seems inclined to drop the loan rate, thus setting legislation. legislation also guarantees a price of \$5 a bushel on half the rower's base acreage. It should drop,
A House subcommittee last of voting for mandatory proweek made some progress when duction limitations.

LIVE CATTLE 40,000 lb, cents/ib

CHICAGO

LONDON MARKETS

BASE METALS LME prices supplied by Amalgamated Metal Trading **ALUMINIUM**

Jnofficial + or High Cash 761.5-2.5 +2.75 -- 3 months 784-5 +2.75 790/783 Official closing (am): Cash 782-3 (755-.5): three months 784-777.5-8): settlement 763 (795.5). Final Kerb Close: 786.5-7. Turnover: 11975

COPPER

Higher grade, Unoffic 1 +or High/Low Official closing (am): Cash 1088 5-9 (1078-5): three months 1096.5-7 (1087-8): settlement 1089 (1076.5). Fir til Kerb Closs: 1091.5-92. Cathodes 1069-71 +11 1077
Three m'nths 1079-81 +5

Official closing (am): Cash 1076-7 (1059-51): three months 1084-5 (1074-6]: settlement 1077 (1061). Turn-over: 17851 (27675) tonnes. U.S. Pro-ducar prices 65/67 cents per pound.

LEAD

Official closing (am): Cash 306-7 (302-75-,3): three months 305-.5 (301-.5): settlement 307 (303). Final Kerb Close: 305.5 Turnover: 8076 (4850) tonnes, U.S. Spot: 19/21 cents per pound.

NICKEL

Unofficial + or High/low close(p.m.) — £ per tonne 4040-50 +40 4055/4052 4050-5 +47.5 4070-4025 Official closing (em): Cosh 4052-55 (3291-3): three months 4068-6013 (3390-5); settlement 4055 (3393), final kerb Close: 4050-5, Turnover: 1404 (1398) tonnes.

TIN

LINE ALMO-	e Unofficial close (p.m) per to	. —	for
Cash	9570 80	+17.5	859Q:
3 montre	2430 40	+ 32,3	
Official	closing (an	n): Cas	h 957

Cosh 9948-58 -4.5 9580 3 months 425-8 +24 9445:3486 Official closing (am): Cash 9690-600 (3605-15): three months 9445-55 (9400-1): settement (9515).

Official closing (am): Cish 610-3 (611-3): three months 596-7 (595-4); settlement 613 (613). Final Kerb Close; 591-2. Turnover: E325 (7360) tonnes. U.S. Prime Western: 44/45.76 cents per

MAIN PRICE CHANGES

Coconut (Phil) 8500x Palm Malayan 8545u £1084 +6.75.£1128 £1081.25 -4 £1138.5 8309 -4.25.8315.75 Copra Phil Copra Phil Soyabean (U.S.) S225.6w-3.9 8231,25 **OTHERS** Cocoe Ft. Sept. 21735.5 + 23 ±1735.5 Coffee Ft. Sept. 21881.5 - 30.5 £2079.5 Cotton A Index St. Sept. 21881.5 - 30.5 £2079.5 Gas Oil Aug. 8211.5 - 1 \$314.75 Rubber (kilo) 650 - 640 Sugar (raw) 5942 - 3 \$38 Wooltops 64a 435pkilo - 485pkilo - 5850
 Quicksivert...
 \$280;730
 \$270;80

 Silver troy oz
 456,45p
 7.3
 674,80p

 5 mths...
 459,85p
 -7.2
 488,70p

 Tin cash...
 £9553
 -4.5
 £9582.5

 5 mths...
 £9426.5
 +24
 29477.5

 Tungsten...
 \$72.75
 -0.8
 £79,05

 Wolfram 22 04lb
 \$56.60
 -1
 61.65

 Zing
 £611.5
 +2
 597.5

 5 mths
 £592.5
 +1
 2608.25

 \$740ucers
 \$880
 \$30,966
 \$30,966
 Unquoted, u Aug. x Aug-Sept. w Sept. z July-Aug. f Per 76 th Reak. c Cents per pound.

GRAINS

WHEAT

July wheat lost ground throughout the day on lack of physical demand. New crops were a touch easier on better weather conditions. Profit-taking buying support was found at lower levels, reports Mulipace.

restord'ys + or Yesterdys + or close - close -

Gold fell \$4% to \$308%-309% on the London bullion murket yesterday. It opened at \$310.310%, and was fixed at \$310.85 in the morning and \$308.25 in the afternoon, the lowest level for 15 weeks. The metal touched a low on the day of \$307.307%, but recovered a little on short covering. Selling pressure increased in the early afternoon, on the opening of U.S. markets on continued tears about lower oil prices, shead of Friday's meeting of Open ministers. The highest point couched was \$311.311%.

GOLD BULLION (fine ounce) July 2

Ciose \$308'4-309'4 (£236'4-237') Opening \$310 310'5 (£238 238'5) M'ni'g flx. \$310.85 (£238.455) Att'n'nfix. \$308.28 (£236.379) GOLD AND PLATINUM COINS Krgrind .831712 31814 14 Krug. 8164 1644 14 Krug. 8819-8414 18 Krug. 884 3412 Mapieleaf 8319 3193 New Sov. 8731-74 12New Sov 3441-45 Old Sov. 8741-76 820 Eagle 8495-485 Nobia Plat \$263-2661 (£2431, 2431 £1254, 1361 £126 - 442) £26 - 2612] £244, 245) £256 | 4 - 5634] £254 - 8412; £254 - 8412; £254 - 8412; £254 - 8412; £254 - 8412;

SILVER

Silver was fixed 7.05p an ounce lower for spot delivery on the London bullion market yesterday at 456.45p U.S. cent equivalents of the fixers levels were: spot 593.85c, down 15.65c; three-month 604.6c, down 16c; as: month 616.25c, down 16 85c; and 12-month 642.35c, down 16.75c. The metal opened at 4547-457/ap (593-590c), and closed at 4517-454/ap (593-590c). per troy

LME—Tumover: 41 (97) jots 0.000 cz. Three months high 472, low 464.

FREIGHT FUTURES Values were again eroded following lower physical prices on the major grain routes. January recovered late in the session, reports Clarkeon Wolff The Baltic Freight Index was 854, down 10.5.

in tonnes unless otherwise stated.

INDICES FINANCIAL TIMES July 1 June 28 M'th ago Year ago 276,04 278,13 — (301,06 (Bese; July 1 1952 = 100)

REUTERS July 3 July 1 M'th ago Year ago

1741.5 1744.5 1820.4 1919.0 (Bese: September 18 1931 = 100) MOODY'S 921,9 923,9 - : -

DOW JONES

Dow' July June Month Year Jones 1 : 28 ago lago Spot 115.38 117.91 - 135.86 Fut. 116.79 118.40. - 134.99 (Base: December 31 1974 = 100)

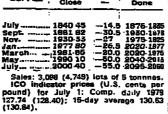
SUGAR

RUBBER

BARLEY

The London physical market opened easier, continued to fall throughout the day and closed dull, reports Lewis and Peat. Closing prices (buyers): apot 58.00p (same): Aug 56.25p (56.50p); Sept 66.25p (56.50p). The Kuels Lumpur fob price for RSS No. 7 was 201.5 (302.0) cents a kg and for SMR 20 was 187.5 (188.5).

Against slightly weaker sterling the market opened £3-10 higher in quiet conditions, reports DBL. Gains were extended to £20 by trade and commission house buying, but values fell sharply during the afternoon as stopless orders were triggered by commission house solling.



May 14 May 13 M'th ago Year ago (Base: December 31 1931 = 100)

COCOA The market opened weeker than due and traded quietly throughout the morning. During the afternoon strength inspired by New York allowed some of the origins to make sales. Hedging of these purchases brought the market

Close or Busines Close Done

Sales: 4,306 lots of 10 tones.
ICCO indicator prices (U.S. centa per pound). Daily price for July 2: 96 04 (94.71); five-day average for July 3: 94.58 (54.00).

LONDON DAILY PRICE—Raw augar 84 00 (654.50), down \$3 00 (down 1.50) a tonne for July-August delvery. White sugar \$132.00, down

Sales: 903 lots of 50 tonnes.
Tate and Lyle delivery price for granulated basis sugar was 1765 00 (£167.00) a tonne for export.
International Sugar Agreement—(U.S. cents per pound fob and stowed Canbbeen ports). Prices for July 1: Daily price 2.73 (2.81): 15-day average 2.80 (same). SOYABEAN MEAL The market opened unchanged in lack-lustre trading, reports T. G. Roddick. Prices drifted in the attempon but re-covered on commission house buying.

August 128,8-129,0 - 0.50

The volume of crude oil trading was minimal. Nymex WTI opened unchanged for August and traded 8c up at 1 pm EST. Petroleum products other than naptha remained quiet and stable shead of the Opec meeting. Naptha firmed slightly as demand for prompt cargoes continued—Petroleum Argus,

SPOT PRICES Latest + or -

*August

The market opened lower, testing old support levels of £75.00, basis April. Buying intereat here was keen and values recovered during fairly brisk morning business. Prices continued to rise during a quest afternoon, reports

PIGMEAT

p. per kilo (deadweight)

U.S. MARKETS

cal interest for raw sugar.

the Opec meeting.

High 43.60

COCOA 10 tonnes. S/tonnes

POTATOES

£ per tonne 1.50 | 58.30 | 58.50-57.50 1.00 | 66.50 | 1.30 | 77.10 | 78.20-76.00 1.00 | 85.30 | 84.00-81.70 Nov...... 59.30 Feb..... 68.00 Apr..... 78.30 May.... 84.00

Yesterday's Previous Business
Month close Done

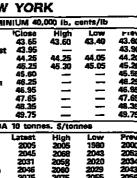
Eales: 15 (11) lots of 50 carcases 3,250 kgs.

MEAT COMMISSION — Average fat-stock prices at representative markets. GB—Cattle 96.40p per kg lw (~1.56). GB—Sheep 156.59p per kg sat dow (+6.92). GB—Pigs 78.35p per kg lw (~2.00). (~2.00).

SMITHFIELD—Pence par pound, Beef:
Scotth killed sides 76 0 to 81.0; English
foreguarters 51.0 to 54.5; Ulster kindquarters 86 0 to 92 0, foreguarters 50.0
to 54.0. Vesk: Dutch kinds and ends
138.0 to 142.5. Lamb: English small
66 0 to 72 0, medium 84.0 to 68.0, heavy
80.0 to 65.0; Imported: New Zealand Pt.
65.0 to 66.0, PX 64.5 to 65.5. Pork.
English under 100 lb 50.0 to 57.5. 100120 lb 50 5 to 56.0, 120-160 lb 45.0 to
51.0.

PRECIOUS METALS stabilised, after Monday's sharp losses, on light short-covering following strength in the energy complex, reports Heinold Commodities. Copper moved slightly higher as light kets. Sugar remained under pressure reflecting poor physi-Cocoa traded slightly higher the Brazilian crop. Coffee weakened on the good avail-ability of nearby coffee. Cotton was steady reflecting trade

support. Heating oil advanced on profitaking and short-covering following recent de-clines. Trading was light ahead of the API report and **NEW YORK** VALUMINIUM 40,000 ib, cents/lb



COFFEE " C " 37,000 lb, cents/lb Low Prev 139.00 139.70 140.81 142.15 142.63 143.57 142.25 143.28 142.20 141.63 142.00 141.63 Close High 139.00 139.90 141.69 142.70 143.28 144.30 142.30 143.50 142.31 143.00 141.55 142.00 141.55 142.00 Close 256.3 258.9 263.6 268.6 273.9

July Aug Sept Dec Jen March May July Sept Dec 603.0 614.0 616.4 627.5 630.0 641.0 655.0 664.0 WORLD "11" lb. cents/lb COTTON 50,000 lb. cents/ii

OTHER MARKETS

WOOL FUTURES SYDNEY GREASY WOOL—Close (in order: buyer, seller, business). Australian cents per kg. July 607.0, 612.0, 610.0-607.0; Cet 621.0, 623.0, 622.0; Dec 622.0, 628.0; March 629.0, 630.0, 629.0; May 637.0, 647.0, nri. Oct 618.0, 640.0, nri; Dec 624.0, 650.0, nri. Sales: 29.

HIDES — Birmingham (Manchester). Second clears. Ox: 31-35.5 kg. 92-69 a kg, withdrawn .94-201: 26-30-5 kg. 103-0p a kg (108-7p): 22-25.6 kg. 118-3p a kg withdrawn (116-1p withdrawn). Cows: 25.5 kg. 112.1p a kg withdrawn (114-3p). PARIS SUGAR-(FFr per tonne): Aug 1187-192, Oct 1178-1186, Dec 1195-1200, Mar

HIDES

WHEAT—(U.S. S per tonne) U.S. No. 2 Soft Red Winter: Affoat 139. Aug 142.50, Sept 145, Oct 148. sellera. U.S. No. 2 Northern Spring. 14 per cant 158.25, Sept 145. Oct 148. sellera. U.S. Northern Spring. 15 per cent protein: July 161.50, Aug 158.25, Sept 157. Oct 153.50, Nov 155.50, auglera. U.S. Northern Spring. 15 per cent protein: July 172.50, Aug 169. Sept 168.50, Oct 174.50, Nov 176.50, sellers. U.S. No. 3 Hard Amber Durum: July 186. Aug 183. Sept 159. Oct 184. Nov 168. aullers. Canadism No. 1 Western Amber Durum: Spot 177. July 176. Aug 174. Sept 171 sellers. MAIZE—(U.S. S per tonne) U.S. No. 3 Yellow: Adioat 129-125, July 126. Aug 124. Sept 122. Oct/Dec 120. Jan/Morch 124. sellers. Argentine, Plate: Affoat 133-130, July 132, Aug 133, sellers.

JUTE—July/August shinment, cand (Dundes: BTC \$580, BWC \$585, BTD \$585, BWD \$580; cand (Antwerp: BTC \$580, BWC \$588, BTD \$565, BWD \$600; c and (Dundes, ex-India, July ship-ment; 40 in. 10 pz. (22.37, 40 in. 7.5 oz. £17.05; 8 Twills £58.95. COTTON LIVERPOOL—Spot and shipment ables imounted to 158 tonnes. Fair trading developed mostly in East African sub-lies. Pakistani growths moved of the control of

SPOT PRICES—Chicego fones lard 18 50 (semm) cents per pound. New York (in 567.0-74.0 (571.0-74.0) cents per pound. Handy and human silver bullion 591 0 (604.0) cents per troy

ملذامنه لأصل

Aug 58.20 58.25 56.85 50.00 57.70 Dec 61.15 61.22 61.00 62.17 62.15 June 63.15 63.45 53.45 53.05 63.15 63.45 53.05 LIVE EOGS 30,000tb, cents/lb Close High 49.67 49.75 July \ Close 309.8 311.4 313.0 314.7 318.5 322.5 326.6 330.9 335.3 339.9 344.5 354.7 PORK BELLES 38,000 lb, cents/lb 43.60 43.90 44.20 45.25 46.25 46.95 47.65 48.35 49.75 'August Sept Oct Nov Dec Jan Feb March April SOYABEANS 5000 bu cents/60 fb-busiel Prev 2000 2052 2034 2043 2056 2060 2077 2090 Close 140.50 137.15 137.15 134.90 133.45 133.45 133.45 133.45 133.45 Low 139.75 136.30 136.30 134.30 133.25 133.25 Prev 139.65 136.70 136.70 134.20 132.90 133.00 133.00 July Aug Sept Nov Jan Merch May July 137.50 135.25 133.65 133.25 SOYABEAN MEAL 100 tons, S/ton 133.00 PLATINUM 50 troy oz. \$/troy oz July Aug Sept Oct Dec Jan Marc May July High 257.0 259.0 263.5 269.0 274.0 July 273.9 274.0 273.0 287.1 SILVER 5,000 troy oz, cents/troy oz Lose High Low Prev July 590.1 586.0 580.0 582.8 Aug 593.3 586.4 580.0 602.5 Sept 567.5 603.0 588.0 602.5 Dec 609.1 614.0 589.0 612.1 Jan 813.2 516.4 610.0 616.4 March 621.4 627.5 811.0 624.6 May 629.8 630.0 625.0 633.3 July 638.9 641.0 638.0 562.7 Close 590.1 593.3 597.6 609.1 813.2 621.4 629.8 638.9 648.7 663.4 SOYABEAN OIL 50,000 tb, cents/lb 29.36 27.95 25.93 25.05 25.17 24.90 24.61 14.48 4.20 642.7 652.8 667.9

Financial Times Wednesday July 3 1985

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

FINANCIAL FUTURES

Dollar quiet and dull

The dollar was slightly higher on the day, but trading was very quiet on the foreign exchanges; and the U.S. currency closed near its lows on profit taking, Higher U.S. interest rates, with Federal funds finishing at 8 percent on Monday in New York, and an early ruse in Eurodollar rates will remain high in the boost. Strong resistance around DM 3.0250 on Monday was also seen to provide some support. Yesterday's figures on U.S. factor orders—rising 2.1 per cent in May compared with a fall of 0.3 per cent in April—and single family home sales—rising 9.7 per cent in May against a revised drop of 11.5 per cent in April—and single family home sales—rising 9.7 per cent in May against a revised for of 11.5 per cent in April—and single family home sales—rising 9.7 per

noon but this was shortlived, and the currency declined towards the European close. The dollar rose to DM 3.0450 from DM 3.0410; FFr 9.27 from FFr 9.2625; and Y248.30 from Y247.90, but fell to SwFr 2.5470 from SwFr 2.5485.

On Bank of England figures the dollar's index rose to 144.3

STERLING — Trading range against the dollar in 1985 is 1.3100 to 1.0525. June average

EMS EUROPEAN CURRENCY UNIT RATES

	central rates	amounts against Ecu July 2	from central rate	% change adjusted for divergence	Divergence limit %
elgian franc	44,9008	45.3017	+0.89	+1.12	±1.5471
enorá dalas	8,14104	8.07112	-0.86	-0.63	±1.6419
erman D-mark.	2.24184	2.25072	+0.40	+0.63	±1.1476
ench imne	6.87456	6.85274	-0.32	-0.09	±1.3669
utch guilder	2.52595	2.53625	+0.41	+0.64	±1,5171
ish punt	0.72569	0.717831	-1.08	-0.85	±1.6673
stian fira	1403.49	1435.02	+2.25	+2.25	±4.6410
		cu, therefore ; djustment calc			

£ IN NEW YORK

July 2 | Prev. close £ Spot | \$1,3050-3060| \$1,3030-1,3840 1 month | 0.55-0.55 pm| 0.61-0.60 pm 8 months | 1.95-1.46 pm| 1.55-1.52 pm 12 months | 4.15-4.00 pm| 4.35-4.28 pm

	Day's			%	Three	%		Day's	—	B	%	Three	_
July 2	, spread,	Close	One month	р.в.	months	P.a.	July 2	spread	Close	One month	p.a.	months	:
U.S.	1,2990-1,3060	1.3040-1.3050	0.55-0.53e pm	5.01	1.54-1,49pm	4.65	UKt	1.2290-1.3060	1.3045-1.3050	0.56-0.53c pm	5.01	1.54-1.49pm	
Canado	1.7660-1.7725	1.7680-1.7720	0.01c pm-per	0.03	0.02-0.01 pm	0.03	[reland†	1.0250-1.0308	1.0298-1.0308	0.30-0.20c pm		0.80-0.65pm	
Nethind.	4.46-4.484	4.47 -4.484	24-24c pm	6.03	6°-6°2001	5.86	Canada	1.3569-1.3586	1.3570-1.3580	0.19-0.21c dis		0.58-0.59dig	
Selgium	79.70-80.08	79.95-80.05	30-25c pm	4.20	79-72pm	3.78	Nethind.	3.4300-3.4500	3.4310-3.4320	0.30-0.27c pm		1.00-0.97pm	ı . •
Denmark	14.22-14.29	14.241-14.251	41-21-ore pm	2.89	97 ₈ -774pm	2.37	Belgium	61.20-61.55	51.25-61.35	512-61;c dis		76-18 ¹ :dis	-
Ireland	1.2640-1.2690	1,2650-1,2660	0.32-0.16p pm	2.28	0.71-0.46pm	1.85	Denmark	10.91-10.96	10.931-10.941			44-54dis	_
W. Ger.	3.964-3.98	3.967-3.9774	21-21 pm	7.36	71 61 pm	7.05	W. Ger.	3.0400-3.0575	3.0445-3.0455	0.63-0.58pf pm		1.86-1.81pm	
Portugel	22612-229	226° - 227	220-555c dis		565-1535dis	-18.52	Portugal	174 ² -175 ² 2	1747-1757	250-500c dis		650-1400dis	-2
Spain	227 - 227 -	227-227-	20-50c dis	-1.85	155-200dia	-3.12	Spain	173.60-174.65	173.60-173.80	90-105c dis		315-345die	-
Italy	2,523-2,5357	2,5291-2,53012	par-4 lire dis	-0.95	6-11dia	1.34	Italy	1,940-1,948 ² 2	1,9401-1,9411		-6.31		_
Norway	11.421, 11.451	11.421-17.431	⁷ eore pro-¹a di⊈	-0.39	1-11-dia	-0.22	Norway	8.76-8.79 ¹ 2	8.76-8.76 1,	3½-4¾ore dis		104-114dis	
France	12.084-12.114	12.08-12.09	21-21-c pm	2.48	6 ¹ 4-6pm	2.11	France	9.264-9.31	9.254-9.274	2.05-2.15c dis		6.20-6.40dis	
Sweden	11.42-11.45%	11.42 - 11.43	3-37 ore dis	-3.61	111-121-dis	-4.29	Sweden	8.764-8.794	8.77-8.775	64-74ore dis	-9.56	19 ¹ ,-19 ¹ ,dis	-1
Japan	3221-3247	3231,-3247,	1.85-1.75y pm	6.67	5.05-4.90om	6.14	Japan	248.10-248.60	248.25-248.35	0.37-0.33y pm	1.69	1.00-0.95pm	. '
Austria	27.80-27.95	27.89-27.93	15°-13'-gro pm	6.21	42-38 som	5.74	Austria	21.36-21.473	21.36-21.39	24-14gro pm		64-44pm	
Switz.	3.314-3.324	3.314-3.324	21 _e -2c pm	7.67	62 57 pm	7.22	Switz.	2.5450-2.5600		0.58-0.52c pm		1.54-1.48pm	
							t UK	and reland a	ire quoted in f	J.S. carrency. I	orward	premiums a	nd
Ве	lgian rate is f	or convertible	francs. Financis 2.84c pm, 12-mo	of franc	80.35-80.50.		disco	ounts apply to	the U.S. dolla	J.S. currency. I or and not to ti franca. Financi	he indivi	idual	CALLAUC

Six-month forward dollar 2.69-2.64c pm, 12-month 4.25-4.10c pm. OTHER CURRENCIES									
ani a	₽ .	j s	ł	Note Rates					
Argentina Austi.	1.0415-1.0438	0.8000-0.8010	Austria	27.80-28.10					
Australia Dollar. Brazil Cruzelro	7 819 7 844	1,4995-1.5015	Belgium	80.05 80.85 14.17 14.31					
Finiand Markks.	8,2190 8,2385	6.3310.6.3330	France	12.05-12.17					
Greek Drachma.	174.58 178.37	134.29 137.10	Germany	3.951c 3.981e					
HongKong Dollar	10.0950-10,1050	7,7590 7,7610	Italy	2525-2560					
	120,80*		Japan,	328.329					
KuwaitDinar(KD)	0 3939 0 3946	0.30280-0.30280	Netherlands	4.48 4.50					
Luxembourg Fr	79,95-80 05	61,25-61 35	Norway	11.37-11.49					
Malaysia Dollar	3,2500-3,2550	2.4980-2.5000	Portugal	221-252					
New Zealand Dir.	2.6975 2,7050	2.0720 2.0765	Spain	219.229					

inland Markks, 8,2190 8,2385 Breek Drechma, 174,58 178,37	134.29 137.10	Germany	12.05-12.11 3.951: 3.981					
iongKong Dollar, 18.0950 - 10,1050	7.7590 7.7610	Italy	2525-2560					
ran Rial 120,80°	92 00-	Japan	326.329					
(uwaitDinar(KD) 0 3939 0 3946	0.30200 0.3020	Netherlanda	4,46 4,50					
uxembourg Fr 79,95-80 05	61.25-61 35	Norway	11.37-11.49					
Malaysia Dollar 3,2500-3,2550	2.4980-2.5000	Portugal	221-232					
lew Zealand Dir., 2.6975 2,7050	2.0720 2.0765	Spain	219.229					
Saudi Arab Rival 4.7355 4.7560	3.6509-3.6514	5weden	11,58 11,56					
Singapore Dollar, 2.9050 2.9100	2,2325-9,2345	Switzerland	3,303,-3,33					
th African Rand 2.5770 2.5890	1.9860-1.9900	United States	1.29-1,31					
J.A.E. Dirhem 4.7710 4.7785	3,6720-3,6730	Yugoslavia	362-394					
• Selling rate.								
.,								
EVOUANCE COAce	DATEC							

Morgan Guaranty changes: a (base average 1975=100).

CURRENCY MOVEMENTS CURRENCY RATES

organ aranty	July 2	rate %	Drawing Rights	Curr
ange 2 -8.3 +29.6 -6.2 +3.3 -11.2 -6.0 +6.5 -8.0 -10.4 -17.2 -17.2 -17.2 -18.0 -19.0	Sterling U.S. S	9.58 412 914 7412 612 914 1614 1614 11.5 2012 1334	21.4469 61.4852 10.9485 3.05287 3.44006 9.29674 1945.75 248.010 8.77804 174.401 18.78353 2.55705 135.713	0.73 1.0 15.8 45.3 8.07 2.253 6.86 1436 183, 6.47 128, 8.47 1.88

EXCHANGE CROSS RATES

July 2	Pound Striing	U.S. Dollar	Deutschem K	J'panese Yen	FrenchFranc	Swiss Franc	Dutch Gulid	Italian Lira	Canada Dollar	Beigian Franc
Pound Sterling	0.767	1.305	3,973	324.0	12.09	3.323	4.478	2550.	1,770	80.00
U.S. Dollar		1.	3,045	248,3	9,270	2.547	3.432	1941.	1,557	61.30
Deutschemark	0,252	0.328	12.26	81,56	5.042	0.836	1,127	636.9	0.446	20.14
Japanese Yen 1,000	3,086	4,025		1000,	57,30	10,85	13,82	7809.	5,463	246,9
French Franc 10	0,827	1,079	7,287	268,1	10.	2,749	3,705	2094.	I,465	66,20
Swits Franc	0,301	0,593	1,196	97,52	3,637	1,	1,348	751.5	0.533	24,08
Dutch Guilder	0.223	0.891	0.887	72,36	2, 59 9	0.742	1.770	565,0	0.395	17 87
Italian Lira 1000	0.395	0.816	1.570	128,1	4,777	1,515		1000,	0.700	81,68
Canadian Dollar	0,665	0.737	2.244	183,1	6,828	1.877	2,530	1429.	2.213	45,30
Belgian Franc 100	1,250	1.631	4.966	405,0	15,11	4,153	5,597	5163.		100,

EURO-CURRENCY	INTEREST	RATES	(Mari	ket ci	osing	rates)
			 			

July I	Sterling.	V.S. Dollar	Canadian Dollar	Dutch Guilder	Swise Franc	D-mark	French Franc	Italian Lira	Beiglar Conv.	Franc Fin,	Yen	Danish Krons
Short-term 7 days' notice	12 ¹ 4-12 ¹ 8 12 ¹ 4-12 ⁷ 8 12 ¹ 5-12 ² 1 12 ¹ 5-12 ² 5 12 ¹ 7-12 ¹ 8	8,1-8,2 74-718 713-713 74-718 8 618 8 618	816-936 915-915 915-915 915-915 915-915	66g-67g 65g 67g 61g-61g 63g-634 61g-634 65g-634	4412 243 518514 5456 5456 514-54	516-516 516-518 516-518 546-518 616-516	101e-1014 101e-1014 1014-105e 103e-1012 101e-105e 1118-1114	1314-1414 1314-1414 1312-74 1334-1418 1373-1414 1414-1454	556.878 834.9 868 878 856 878 814.9 918.936	512 634 512 634 656 678 856 878 614 9 918 956	613-614 613-614 613-614 614-634 614-634 613-616	954-1014 954-1014 10-1012 978-1048 934-1014 914-1014

MONEY MARKETS

Firmer tone in London

on Friday and next week's UK money supply figures. Nervousness about oil prices, and the possible impact on sterling, was reinforced by rumours that the Soviet Union was selling oil at a discount, while next Tuesday's June money supply figures are not expected to be particularly encouraging, as far as any lingering hopes of lower clearing bank base rates are concerned. Threemonth sterling interbank closed unchanged at 134-12; per cent,

UK clearing banks base lending rate 12 per cent since June 12

and discount houses buying rates for three-month bank bills were steady at 12 per cent, but longer period rates rose by about 2 per

The Bank of England forecast The Bank of England forecast
a money market shortage of
£950m, but later changed this to
£900m, and provided total help
on the day of £824m.
An early round of assistance
was offered, and at that time the
authorities bought £56m bills out-

FT LONDON INTERRANK FIXING

MIEDDAN	. FIXING
(11.00 a.m. 3 exemples U	
blď 75/4	offer 77/8
6 months U.	S. dollars
bid 7 16/18	offer 8 1/16

The fixing rates are the arithmetic means, rounded to the nearest one sixteenth, of the bid and offered state for \$10m quoted by the market to five reference banks at 11 am each tworking day. The banks are National Westminster Bank, Bank of Tokya,

Interest rates had a slightly firmer tone on the London money market yesterday ahead of the meeting of ministers from the Organisation of Petroleum Exporting Countries, in Vienna on Friday and next week's UK money supply figures. Nervousness about oil prices, and the possible impact on sterling, was reinforced by rumours that the Soviet Union was selling oil at a discount, while next Tuesday's June money supply figures are not expected to be particularly encouraging, as far as any linger-

MONEY RATES

July 2	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
	5.45 5.60 5.45 5.60 6.50-5.65 5.55-5.70	1014 1075-1079 1014-1059 1014-1039 1059-1012	244-256 54-556 	6+6-6-4 649-6-4 649-6-4 649-6-4 6-7-8-8-9	6,03125 6,21675 6,28125	145 ₆ -151 ₈ 141 ₈ -141 ₂ 145 ₆ -16	8,35 85 ₆ -87 ₆ 85 ₈ 87 ₈ 83 ₄ 9	113-12 115-12 113-12 113-12 115-12 115-18

LONDON	MONE	RATE	s	Di	scount	Houses	Depos	it and	Bill (Rate
July 2 1935	Sterling Certificate of deposit	interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Bell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Pin Trac (Buy
Overnight 8 days notice 7 days or 7 days notice One month	_ 	1234-1314 — 1234-1314 1216-1218	1254-1278 1254 — 1254 1276	13 12 (2 -15	121g-1254 — — 1268 1212		13.3	12.4 12.4 12.6	12,3	1245
Two months Three months Six months Nine months One year	181 ₂ ·183 ₆ 12 ₁₆ ·12 11七 12世	125g 124 121 ₂ 125g 121 ₄ 12 _{7g} 12 ₁₄ 12 _{1g} 12 ₁₄ 12 _{1g}	1266 1275 1275 11 12	1234 	7214 1218 —	121g	12 11:3 —	1117 1117 15,8	12 // 11 // 11 // 11 //	126

Three months	11 ¹ 4 1158 111 ₂ 111 ₂	12 A 12 A 12 A 12 A	7.5-7.85 7.7-7-8 7.95-8.05 8.1 8.2	718 818 718 818 	- - - - - - - - - - - - - - - - - - -
ECGD fixed Rate Fina July 2 (inclusive): 12.535 days: notice, others seven by the Finance Houses A and Scottish Clearing Bank for sums at seven days Average tender rate of dis (Series 6): Deposite £100, one-three months 12% per 12 per cent nime-12 mon June 27, Deposits held unwithdrawn for cash 6 per 6	per cent. is days' fixe speciation): Rezee for 'notice 6 secont 11.95 000 and over three-ths 12 perioder Series	Local aut id. Finan 13 per leading 1 .65-6.75 i58 per c rer held six mont cant. U	thority and ce Houses cent from 12 ¹ 2 per cen per cent cent. Certific uncer one his 12 ¹ 2 per oder 510.00	tinance to Base Rate July 1, 19 t. Bank De (net). Trai cates of Tr month 124 cent sixe 0 115 per	cant from the months of the mo

MONEY RATES NEW YORK (Lunchtime) 81⁷-82*

Treasury Bills 6.60 6.825 6.93 7.03 7.17 Treasury Bonds

Gilts rally

Interest rate futures were delivery, against \$5.14 on generally weaker on the London Monday, Exchange yesterday, apart from gilt futures, which closed on a gilt futures, which closed on a trend in Singapore futures. firm note, following the The recent rise in the Federal announcement that sales of funds rate was regarded as Government bonds will be technical, but news that the exempt from capital gains tax. Federal Reserve was adding ending the previous rule where liquidity in New York, through tax was liable unless stock was system repurchase agreements. neid for more than 12 months.

September gilts touched a peak of 110-31, and closed at 116-55, compared with 110-12 previously.

Three-month sterling deposits continued to reflect the leak of the le continued to reflect the lack of incentive in the market at rallying af present, as London interest rates September are expected to remain firm, and closed at SS.11 for September previously.

impact, with the market soon

rallying after an initial fall. September Eurodollars Enished at 92.06 compared with 92.13

U.S. TREASURY BONDS 81. \$100.000 32nds of 100";

Sept 92.06 92.07 91.99 92.13
Dec 91.60 91.81 91.72 91.08 91.23
June 90.82 90.75 90.72 90.87
Sept 90.52 90.75 90.72 90.87
Sept 90.52 Previous day's open int. — (18.401)

THREE-MONTH STERLING
E500.000 32nds of 100°;

Sept 77.15 77.16 77.04 77
Dec 76.15 — 76
March 75.15 75.06 75.04 75
Est. Volume 1.555 (2,559)
Previous day's open int. — (2.373)

CHICAGO

U.S. TREASURY BONDS (CBT)

8". \$100.000 32nds of 100°;

THREE-MONTH STERLING

| Solution | State | Sta 20-YEAR 12% NOTIONAL GILT £50.000 32nds of 100% ### Close High Low Prev | Sept 11-37 | 110-08 | 110-12 | Sept 110-25 | 11-37 | 110-08 | 110-12 | Sept 110-12 | Sept 110-12 | Sept 11-08 | 110-12 | Sept 110-| Close | High | Low | Prev | Sept | 125.70 | 127.25 | 125.40 | 127.30 | Sept | T5-01 | 75-01 | 75-01 | 75-01 | T5-01 | T5-01

A narrow trading tando reduced contract volume today but tailed to restrict the continuing growth of Steady volume in an easing cash merret was monitored as open interest passed the 4,000 contract Provious day's poen interest | Est volume Est volume Calls Pu:5 3554 32 32 205 For full details of scritement prices call Louisa Powell at LIFFE on 01-623 0444. LIFFE, Royal Exchange, London EC3V 3PJ.

Company Notices

原 OPTIONS REPORT Sterling Currency-125,000 c per C | Eurodollar Future-points of 100%

DECLARATION OF DIVIDENDS depends on the standard conditions relating to the payment of the demos decisied by the undermentoned companies on 11 June 1985, and or June 1985 in the task of the Chydendale Transidah Collegeis Limited, remain room the office of the Underd Rendom Register will be made in the Krizzion currency at the rate of R2.505336 South African currency to United Krizzion Currency to the first available rate of exchange on intrances between the Require of South African during on intrances between the Regions of South African bankers. By order of the Boards per one CONSOLIDATED GOLD FILEDS PLC Mrs G M A Girethill, Secretary United Kundom Regustrari Hill Samuel Registrary Lumines London SWIP 1PL

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Oil Industry Developments

Hotel Inter-Continental, London 9 & 10 July, 1985

The FT Oil Industry Developments conference will cover prices, the outlook for OPEC, de-nationalisation, the take-over scene in America, the problems of the independents, refining and petrochemicals. To be chaired by Mr John Raisman, CBE, Former Chairman of Shell UK Limited, and Mr Peter Gaffney, Gaffney, Cline and Associates Inc., the conference will include papers by:

Mr Robert B Horton British Petroleum Co ptc

Mr Yves Rovani The World Bank

Mr John H Lichtblau Petroleum Industry Research Foundation Inc

Mr Antony Craven Walker Charterhouse Petroleum pic Mr Michel D Marks

Mr James A Adamson Chase Manhattan Bank NA

Mr J H de Sola Shell Nederland BV Mr Michael Unsworth

New York Mercantile Exchange

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Mr Pierre Desprairies Institut Français du Pétrole

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Financial Times

Type of Company

Oil Industry **Developments**

☐ Please send me full details of your "Oil Industry Developments" conference



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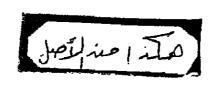
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251 176 Comm Union 202 118 - 83 - 13 25 25 26 27 28 40 every Warres 10p . 222 44 7.0 20 43 26.1 7 20 20 21 24 40 20 20 20 20 21 4 20 20 20 20 20 20 20 20 20 20 20 20 20	23	701 61 Ambross Inv. Inc. 2612+12 8.82 40 205 40 220 Do Cap 225 +1 29 14 33 52 114 American Trist 125 +1 29 14 33 52 114 American Trist 125 +1 29 14 33 52 114 American Trist 125 +1 29 14 33 53 104 American Trist 125 +1 29 10 34 54 120 American Trist 100 100 100 10 54 121 American Trist 100 100 10 55 120 American Trist 100 100 10 55 120 American Trist 100 100 100 56 120 American Trist 100 100 57 22 258 Builte Gifford Japan 288 -3 04 13 02 58 258 Banker's Inv 161 100 59 40 100 100 100 50 20 20 20 20 50 20 20 20 50 20 20 20 50 20 20 20 50 20 20 20 50 20 20 20 50 20 20 20 50 20 20 20 50 20 20 20 50 20 20 20 50 20 20 20 50 20 20 20 50 20 20 20 50 20 20 20 50 20 20 20 50 20 20 20 50 20 20 20 50 20 20 20 50 40 10 50 20 40 50 40 10 50 40 10 50 40 10 50 40 10 50 40 10 50 40 10 50 40 10 50 40 10 50 40 10 50 40 10 50 40 10 50 40 10 50 40 10 50 40 40 50 40 40 50 40 40 50 40 40 50 40 40 50 40 40 50 40 40 50 40 40 50 40 50 40 40 50 50	205 Ballis 50	MINES Central Rand	Interne case. No PiE ratio iscally provided. In this par salive. B.F. Belgian Franci, Fr. French Franci, 66 Vivid based on assumption. Treasury Sid Rate 1939, sunchanged tool materity of stock, a Tax free, 6 Pigures hased on prospectors or other office estimate: 6 Cents, 6 Dendered rate paid or physiolic on part of capital, (over based on dendered on full capital; 6 Redemption veid 6 Flat york), 8 Assumed Grindered and yield is Astumed dendered and yield a statumed dendered and yield extended, 9 Earsto based on the temporary figures. 4 Dendered and yield exclude a stockal payment, 1 Indicated dendered cover relates to previous dendered, PE ratio based on latest around earstoney in 5 Centered and yield asset on latest around earstoney in 5 Centered Cover on excess of 100 tumes. 9 Dendered and vield hased on merger terms, 2 Dendered and yield exclude a sockal payment. Cover does not apply to special payment. A Net dendered and yield asset on respect to Camadian. E Milleman feedbased on 1984-85 G. Assumed dendered and yield after pending sorro and or rights, 8 Preference dendered and vield based on prospectus or other official estimates for 1983-8 Milleman and pred a base on prospectus or other official estimates for 1983-8 Milleman and pred based on prospectus or other official estimates for 1983-8 Figures based on prospectus or other official estimates for 1983-8 Figures based on prospectus or other official estimates for 1983-8 Figures based on prospectus or other official estimates for 1983-8 Figures based on prospectus or other official estimates for 1983-8 Figures based on prospectus or other official estimates for 1983-8 Figures based on prospectus or other official estimates for 1983-8 Figures based on prospectus or other official estimates for 1983-8 figures based on prospectus or other official estimates for 1983-8 figures based on prospectus or other official estimates for 1983-8 fi
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RECENT ISSUES

Extension of equity market recovery falters after GEC preliminary statement

*First Declara- Last Account
Dealings tions Dealings Day
June 17 June 27 June 28 July 8
July 1 July 11 July 12 July 22
July 15 July 25 July 26 Aug 5

* "New-time" dealings may take
place from 9.30 am two business days
earlier.

New-time dealings may take place from 9.30 am two business despoarder.

Another good recovery movement in London equittes was reversed an hour or so before the official close yesterday following the receipt of GEC's preliminary statement. The group's annual profits although higher than the previous year, were midly disappointing at f725m and came as an anticlimax to an electrical sector desperately seeking good tidings after a series of recent disasters. Sentiment throughout equities was affected as a whole and the FT Ordinary share index surrendered much of an eight-point gain to close only 1.8 up on the session at 954.3.

Some electricals gave ground but marginal falls were soon regained and GEC, after rising to 160p afterwards, closed unchanged on the session at gather on the same month leading Breweries. Bass featured and touched 541p before closing only 3 higher on balance at 95p following a reappraisal of the annual results. Composite Insurances made progress with Royals notable for a rise of 13 to 660p, General Accident, at 613p, and GRE, at 70sp, appreciated 8 apiece, while Sun Alliance put on 7 to 455p. Speculative favouritie, Commercial Union closed unaltered at 202p, after 208p.

The May beer production figures, which showed a 9.2 per cent decline on the same month last year, were nevertheless regarded as encouraging and prompted initial firmness among leading Breweries. Bass featured and touched 541p before closing only 3 higher on balance at 535p, while Allied to a 1985 low of 92p before closing 5 low of 92p before closing 6 low of 13 to 660p. General 70sp, appreciated 8 apiece, while 8 apiece, while 8 apiece, while 8 apiece, while 9 low of 13 to 660p. General 70sp, appreciated 8 apiece, while 8 apiece, while 9 low of 13 to 660p. The security of 13 to 660p. The security of 1

session at 954.3.

Some electricals gave ground but marginal falls were soon regained and GEC, after rising to 170p ahead of the figures and falling to 162p afterwards, closed unchanged on the session at 166p. Remaining electricals, with the exception of Racal Electronics, settled slightly firmer for choice.

Equity investors earlier had derived encouragement from

Equity investors earlier had derived encouragement from Wall Street's impressive performance overnight; the Dow Jones index after being several points down rebounded late to an all-time high. Most leading shares benefited from the renewed buying until interest dried up on reports, later confirmed, about the outcome of English China Clays' issue of new stock. It was said that some 48 per cent of the issue had been left with the underwriters who, after a the underwriters who, after a struggle, had successfully placed the stock. This boded ill for the much larger issue by Hanson
Trust, whose new nil-paid shares
consequently slipped to only ip

Dunhill buoyant

The 3.30 pm announcement of a change in the capital gains tax a change in the capital gains tax treatment of Gilt-edged securities and qualifying corporate bonds enlivened a lethargic market. Index-linked issues rose as much as \(\frac{1}{2}\) and low-coupon conventional Gilts also attracted revived attention as attempts were made to switch from high-coupon stocks. Only a few swops coupon stocks. Only a few swops were successful but selected low-coupon issues still managed late gains extending to ...
The two newcomers to the

The two newcomers to the Unlisted Securities Market made quiet debuts. Goodhead Print touched 90p before settling at 85p compared with the placing price of 88p, while Leisure Investments, which were introduced, closed at 26p.

Clearers quietly firm Clearing banks took Monday's

technical recovery a stage further. The volume of trade left much to be desired, but Barclays ended the session 12 higher at 387p and NatWest 7 to the good at 662p. Lloyds firmed 5 to 387p

EQUITY GROUPS

& SUB-SECTIONS

CAPITAL 68005 (285) .

Electricals (14).

Textiles (18)... Tobaccos (3)...

51 Oils (17)

8 All stocks.

OTHER COOUPS (101)

Telephone Networks (2) ... 49 INDUSTRIAL GROUP (483).

Banks (6) Insurance (Life) (9) Insurance (Composite) (7) Insurance (Brokers) (7)

Merchant Banks (31).
Property (50)......

Other Financial (25)

Mining Finance (3)...

Overseas Traders (15) _____ ALL-SHARE INDEX (740).

FT-SE 100 SHARE INDEX

Electronics (38)

Mechanical Engineering (62)

Metas and Metal Forming (7)

Motors (16)

Other Industrial Materials (17)

CONSUMER GROUP (177)

Brewers and Ostillers (23)

Brewers and Distillers (23)
Food Manufacturing (24)
Food Retailing (14)
Health and Household Products (9)
Leisure (22)
Newspapers, Publishing (12)
Packaging and Paper (13)

where. Bank of Scotland put on

cneaper at 2169, after 2219. In contrast, a generally favourable response to the preliminary figures lifted Scottish and Newcasite 3½ to 1412p. Elsewhere, nervous small selling clipped 5 from Arthur Bell, at 233p.

Building issues traded on a Building issues traded on a slightly firmer note. Among Construction companies, Taylor Woodrow new nil-paid shares

TCI closed below the best with a gain of 5 to 757p. Anchor improved a similar amount to 182p and Yorkshire were 4 dearer at 62p.

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

Tues July 2 1985

FINANCIAL TIMES STOCK INDICES

	July 2	July	June 28	June 27	June 26	June 25	year ago	
Government Sees.,	81,96	81,92	81,70	81.86	81,61	81.77	78.09	
Fixed Interest	86,74	86,67	86,38	86,42	86,37	86.35	82,31	
Ordinary	954.3	952.5	938.6	933,9	936.5	952.I	821.3	
Gold Mines	406,9	420,8	425.1	432.2	439,0	445.5	606.3	
Ord, Div. Yield	4.85	4.87	4.93	4,95	4,93	4,86	4.83	
Earnings, Yld. Erfulli	12,17	112,20	:12,36	12,41	12,36	12,17	11,22	
P/E Ratio metros	10.04	10,01	9.88	9,84	9,88	10,04	10.71	
Total bargains (Est.	21,099	22,190	23,628	21,256	21,762	21,706	17,530	
Equity turnover £m.	_	288,20	370.20	400,58	374.96	385.1B	183,98	
Equity bargains	_	20,212	20,165	18,762	17,707	20,895	12,461	
Shares traded imi	_	184.1	211.9	203,5	209.5	202.0	120,7	
10 am 958.1. 11 am 960.7. Noon 960.7. 1 pm 960.5								

Basis 100 Govt, Secs. 16/2/28, Fixed Int. 1928. Ordinary 1/7/35 Gold Mines 12/10/55. SE Activity 1974 Latest Index 01-245 8026 *Nil = 9.72.

> † Corrected **HIGHS AND LOWS**

					•		
					INDI	CES	
	19	85	Since Co	mpilat'n		July 1	June 28
	High	LOW	High	Low	Daily Gilt Edged		.—
jovt. Secs.	82.17 (19:6)	78.02 (28:1)	127.4 (9:1/55)	40 18	Bargains Equities Bargains	:	
ixed int		82.17	150,4	50,55 (3:1;75)	Value 5 dayAverage	· 582.5	784.5
ordinary			1024,5	49.4	Gift Edged Bargains Equities		118.0

ICI closed below the best with a gain of 5 to 7579. Anchor improved a similar amount to 1829 and Yorkshire were dearer at 62p.

Dunhill buoyant

Leading Retailers were quietly irregular. Institutional investors, occasionally active since last Friday's tentative recovery, withdrew to the sidelines. Sentiment was also hindered by the downward revision of May retail sales, although a number of brokers displaye confidence of the downward revision of May retail sales, although a number of or borkers displaye confidence of the armings but a maintained dividend. Second-line issues. Dunhill were particularly outstanding, rising 25 to 320p in a lively business, while speculative support returned for Body Shop International. Second-line issues. Dunhill were particularly outstanding, rising 25 to 320p in a lively business, while speculative support returned for Body Shop International. Second-line issues. Dunhill were particularly outstanding, rising 25 to 320p in a lively business, while speculative support returned for Body Shop International. Second-line issues. Dunhill were particularly outstanding, rising 25 to 320p in a lively business. Swhile speculative support returned for Body Shop International. Second-line issues. Dunhill were particularly outstanding, rising 25 to 320p in a lively business. Swhile speculative support returned for Body Shop International and the support returned for Body Shop International and the support returned for Body Shop International and the support returned for Body Shop International proposition of the support returned for Body Shop International proposition of the support returned for Body Shop International proposition of the support returned for Body Shop International proposition of the support returned for Body Shop International proposition of the support returned for Body Shop International proposition of the support returned for Body Shop International proposition of the support returned for Body Shop International proposition of the support returned for Body Shop Internation

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11.31 12.31 656.45 649.80 648.25 534.58

- 9.83 655.14 453.17 652.27 349.34

- 14.71 716.14 712.89 717.22 458.81

- 14.71 716.14 712.89 717.22 458.81

- 14.71 716.14 712.89 717.22 458.81

- 8.53 349.16 349.38 358.42 277.93

14.46 20.10 1005.62 1005.94 1006.13 794.09

- 4.92 224.76 222.92 222.44 199.19

21.57 8.46 593.08 591.92 594.17 576.76

13.13 6.88 252.53 261.35 261.37 254.36

- 8.89 565.29 566.93 566.53 475.39

9.46 5.29 248.53 264.76 246.11 278.23

9.47 22.51 626.69 658.32 626.80 514.22

- 11.52 660.52 595.54 594.66 491.87

July June June June June June Veter

Thers Jame 27

index No.

and French companies for a channel tunnel. Applied Computer, still reflecting the company's agreement to subscribe for 30 per cent of the issued capital of Barsons Computers of Australia, advanced 10 more to 140p. Speculative interest lifted Macarthy Pharmaceuticals 6 Australia, advanced to more to
140p. Speculative interest lifted
Macarthy Pharmaceuticals 6
more to 198p, while Appledore
stood out with a gain of 22 to
302p, after 310. Low and Bonar
moved up 13 to 243p in belated
reponse to the sale of surplus
property at Slough. Demand
revived for F. H. Tomkins, 6 up
at 188p, while Polly Peck improved afresh to end 7 higher at
240p. Other bright spots included
De La Rue, 27 to the good at
880p, Reuters B, 9 higher at 324p,
and Sale Tilney, 7 dearer at 215p.
Package tour operators fared
well in the Leisure sector.
Intasun rose 5 to 133p as buyers
began to show increased interest
ahead of next Tuesday's results,
while Horizon closed 6 up at | No. | Change | Chiar | Chicar | Chicar | Chicar | Sho. | No. | N

112p. Elsewhere, Rex Williams Leisure softened a penny to 154p following the half-year figures. Motors encountered a few buyers. Jaguar shook aside recent concern over some ignition systems and rallied 5 to 267p, while Lucas Industries rose a similar amount to 315p following a vendor placing to finance the acquisition of Duralith, a U.S. manufacturer of custom graphic control panels and assemblies.

Wight Collins Rutherford Scott, the advertising agency, advanced 20 to 353p amid vague takeover rumours. A number of American concerns were suggested as possible suutors, as were South 201 up

gested as possible surtors, as were Saatchi and Saatchi, 20 up

Some firm features emerged in Properties. Regenterest rose 34 to 294p on news of the agreed bid from Messrs R. and D. Richardson, while Mountleigh gained 20 to 385p, after 390p, in response to the preliminary results and acquisition details. Connells put on 8 to 123p following the purchase of Collier and Madge, a firm of chartered surveyors and property consultants. Bairstow Eves improved 4 to 82p, while similar improvements were seen in Percy Bilton, 216p, and Estates and General, 101p. C. H. Beazer added 8 at 372p. Among leading issues, Land Securities were 5 to the good at 260p and MEPC 3 dearer at 2730.

Further consideration of the

preliminary figures and proposed enfranchisement lifted Illing-worth Morris 2 more to SSp with the A shares another 3 to the good at 82p. Courtaulds also hardened 2, at 143p, but other

ious metals took bulilon Grampian TV A down to over a three-months low of \$309 for a loss of \$4.25 and prompted renewed weakness throughout mining markets.

South African Golds opened on a reasonably steady note, helped by modest but persistent Continental buying of the leaders. However, the subsequent decline in bullion quickly put paid to the overseas support put paid to the overseas support and the sector gave ground across the board to close at or around the day's lowest levels. The Gold Mines index posted a further 13.9 fall to 406.9, extend-

ing its decline over the past two sessions to one of 38.6.

Many of the top quality issues fell away to their lowest levels this year, including Randfontein, £1½ down at £73½, Vaal Reefs, £2½ off at £66, Winkelhaak, £1½ lower at £19½ and Western Holdings, which fell almost a point to £72½.

South African Financials and Platinums suffered along with Golds. Impala Platinum proved

9 1

,16,50

especially vulnerable and gave up 18 to 712p while Lydenburg dropped 10 to 510p and Rustenburg a few pence to 607p. Notable weak spots in the financials group included "Johnnies," a point lower at £84, and Gold Fields of South Africa and Gencor which cased 1 aprece at £121 and £111 respectively. Total contracts struck in Traded Options amounted to only 5,808—well short of last week's volume. Much of the session's activity centred on GEC which announced full-year figures and attracted 431 calls, 297 in the July 180's, and 465 puts, 373 in the July 180's, and 465 puts, 373 in

ACTIVE STOCKS

5-		Closing	Da
s	Stock	DINCE	
P	Body Shop Intl	665	+ 7
•	Bowater Inds		+
đ	Commercial Union		٠.
	Dunhill	320	+:
e d).	GEC	166	
•	GRE	708	+
	Legal & General	684	+
ħ.	Macarthya Phaim	198	÷
•	Phoenix Timber		_
	Roed Intl	612	+1
	STC	138	+
j.	Calmana IC	118	٠.

RISES AND FALLS

YESTERDA	Y		
British Funds	Rises 36	Falis 16	Same 56
Corpns. Dom. and Foreign Bonds	- 7	3	67
Industrials Financial and Props. Oils	522 203 41	146 50 71	794 300 75
Plantations	2 78	2 80	14 81
Others	101	25	179
		700	4 Ees

NEW HIGHS AND LOWS FOR 1985

NEW HIGHS (27) ERITISH FUNDS (4)
Treas. 81:pc '84:86 Treas. 141:pc 1994
Excher. 121:pc 1992 Excher. 121:pc 1994
AMERICANS (1)
Gt. Am. First Sys. 81:
GREWERS (1) ELECTRICALS (1)

Cape Inds. Macarib Ferguson Industrial Parkheld Fothergill Harvey Widney MOTORS (1) Bramail (C. D.)
NEWSPAPERS (1) Independent PROPERTY (5)
Estatese & General Regenterest
McInerney Warnford Inv

Courtailds 7oc Deb. [llingworth Morts, 1982-87 NEW LOWS (81)

Merrysom: BUILDINGS
Tysons (Contractors)
CMEMICALS (1)
Eliks & Everard
ELECTRICALS (12)
ELECTRICALS (12)
Norbain Electronics

PROPERTY
TRUSTS (13)
Sec. Mid Wynd Inv. 7st.
Plantation Tet Wis.
Plantation Tet Wis. PROPERTY (1)

GST. Warrate A. F. & C. Er Trust WS. Japan Assets WS. Japan Assets WS. Japan Assets WS. Aberdeen Am. Pet. Falcon Res Churchill Resources Magellan Cons. Intl. Pet. Con. Petrofina PLANTATIONS (1) Kuala Keogon Minks (31) MINES (31)

Boots 11 Brit. Talecom... 11 † Nil-paid. Cooper. No puts were reported.

LONDON TRADED OPTIONS Aug. Nov. Feb. Aug. Nov. Feb. Jly. Oct. Jan. Jly. Oct. Jan. 73 35 7 90 50 23 10 48 32 17 65 88 19 4 13 21 7 14 11₂ 51₂ 35 22 14 7 20 10 31₂ 2 Ex 10; 198 (*196) Sept. Dec. 43 28 52 35 23

57 37 28

57 37 23 11 1300 | 86 | 110 1300 | 35 | 50 24 17 8 4 30 --14 --FT-SE Index (*1252)

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EUROPEAN OPTIONS EXCHANGE

17.50 5 1.80 -3.50

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F1.55
F1.55
F1.190*
F1.200*
F1.200*
F1.275
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F1.360 271 47 417 781 847 544 120 0,50 B 1,60 B 18,50 4,10 0,50 1,50 2,40 421 220 117 66 137 51 3,30 3,80 16,50 10,40 6 7,50 1 F1.2Ö2.70 FL 77,20 2.90 A 328 87 9.10 F1.357.60

TOTAL VOLUME IN CONTRACTS: 96,007

FIXED INTEREST Mon July 1 10.29 10.57 10.27 11.32 10.84 10.38 11.39 10.55 10.03 11.14 11.21 19.62 12.14 11.61 11.04 12.15 11.77 11.83 5.76 117.65 +8.61 (117.64 1 5 years. 7.34 2 5-15 years +0.02 |135.48 **4.78** 135.52 3 Over 15 years.

16.37 — — 9.12

6.22 9.30

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 Index
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 Day's Charge High Low
 July 1 June 28
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 1256,9 1250,0 1246,8 1234,9 1234,3 1234,5 1248,3

+11 +17 +10 +13 -01 +06 +12 +05

+8.01 146.33 7.27 5 All stocks .. 128.12 +0.02 |128.09 6.75 11.95 21.71 11.53 11.63 11.72 11.53 169.48 +0.01 | 109.47 6.08 79.62 - 79.62 3.44

RECLASSIFICATION: Holt Lloyd International (9) to (42).

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EQUITIES 193 F.P. 28.6 106 180 F.P. 235 1188 F.P. 138 50 F.P. 50 175 F.P. 87 130 F.P. 24.7 134 375 200 109 253 176 F.P. 315 173 44 F.P. 12.7 12 135 F.P. 21.6 135 170 F.P. 3 5 91 42.6 2.5 5.6 15.1 55.6 4.1 52.5 3.8 2.7 13.1 b3.1 3.9 3.8 13 1 b3.5 2.6 4.8 9.1 13.62 3.1 5.4 6.7 ng2.5 5.4 4.2 4.6 bg7.5 2.1 6.7 18.1 FIXED INTEREST STOCKS

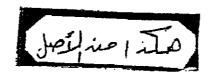
) E-94	~						_
	Amount	Latest Renunc. deto	1985		Stock	Closing price C	+
1				Low	<u> </u>		
1	F.I	26-7	107p	103p	Allebone Bist, Cov. Gum. Rd. Pri.	103p	
ے ا	; Nil	2.8	2ppm	1200m	Caparo Ings. 8.4: Cum. Cnv. Red. Pref	1225	+
1 7	Nii	26.7	•		. E Carries & 7% (CV. RO. GUM. PM.	VD DILL	
i i	: Ni	i —	3ppm	Ippm	A Hunterprint 61:2 Cnv. Cum. Red. Pri Kennedy Brookes 814 & Gnv. Un. Ln. '92	LUMMII	_
1	F.F	. 22 7		102.	Lea L'Edia Blut Canv. Cum. NO. Pr	1030	ď
	05 .30	6.6					
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1 1	. F.I	P. 197	1050		Russell A. 5.75; Cum. Chv. Rd. Pri Span-Kingdom of: 113; Ln 2010		
34.0	95 £30 F.I	25.7	105	100	Woolworth 812's Cnv. Uns. Ln. 2000	10312	٠
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94.895	F.P. F.P. F.P. 630 F.P.	- 10 - 10 - 10 - 11 19 7 11 (2:7 3 26:7 10	101, 100 24p 121p 05p 100p	Mansfel Nations Do Port. & Russell Spansk Woolwi	eld Brewery 11 1-7 Deb. 2016 wide Bidg. Soc. 12:-4 9.6 85 Do. 12:-430 6.85 Sund. 10:-5 2nd. Cum. Pri :A. 5.75 Cum. Chr. Rd. Pri (Ingdom of: 11):-5 Ln 2010 orth 8:-5 Cnv. Uns. Ln. 2000	1801, 184p 190p	
buce i	ag a	Latest Renunc. date	: 1981 :		Stock	Olesing	+
1r.0.40° 350 33 145 10 190 220 210	F.P. Nil Nil F.P. Nil F.P. F.P. Nil F.P. F.P. F.P. F.P.	5:7 	216 3pm 51:pm 406 41:pm 50pm 25pm 245 239 38pm 160 93	362 1pm 15pm 15pm 235 219 3pm	Anchor Chemical	14pm 12pm 372 1pm 22pm 22pm 236 235 23 3pm	-3 +3 +2

10 F.P. 150 F.P. 150 F.P. 150 N.I. 2 F.P.		40 ¹ 2	27 'T 76 To 43pm Un	he Times" V mkins :F.H.: on Discount llaire System	/eneer 5p t 11	54 50pm	. + 2
Renuncia assed on pr lividend cov adicated, rights." n connection ully paid.	espectus er based * Issued * Issued n with re	estimates. on previou by tendor by way corounisatio	g Assu year's Offer year on merous	red holders 150tron: §! Or takeove	nd and yie p Pence u of ordinar § Reintroduc r. Mallot	niess othé y shares ed. 77 is ment lette	rwis as as sue rs o

OPTIONS	but a double was transacted ! Parkfield.
First Last Last For Deal- Deal- Declara- Settle- ings tion ment June 24 July 5 Sept 26 Oct 7 July 8 July 19 Oct 10 Oct 21	MONDAY'S ACTIVE STOCKS
July 22 Aug 2 Oct 24 Nov 4	Based on bargains recorded in Sto- Exchange Official List. No. of Mon. Day
For rate indications see end of Share Information Service	Stock changes close changes sliveson (C.) 33 118 —
Call options were taken out in British Telecom, Cray Elec-	Thom EMI 21 367 +12 GUS A 15 760 +15
tronics, Raybeck, Bristol Chan- nel Ship Repairers, Southwest	ICt
Resources, Brengreen, Habit	Glaxo 14 £12\ — Hanson Trust 14 2pm + 0
Precision Engineers, Falcon Resources, Johnson and Firth	Beecham 13 320 + 2 Abbey Life 12 228 + 2
Brown, Low and Bonar, Flogas, RHM, STC, Charterhall, Deben-	BSR Intl 12 58 + 8 Sears 12 93 + 4 Shell Transport 12 705 + 8
hams, Mount Charlotte, Bruns- wick, Dufay Bitumastic and Lee	Shell Transport 12 705 + 8 Boots 11 186 + 3 Brit. Talecom 11 169xd

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WORLD STOCK MARKETS

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1.	AUSTRIA GERMANY	· . I	Y Price + or	AUSTRALIA (continued)	JAPAN (continued)				
	July 2 Price + or Scht - Greditanetait 575 AEG-Telef.	Dm. —	Bank 156.5 -0.5	July 2 Price + or Aust. 2 — Gen. Pro. Trust 2.20	MHI 520 -2	CANADA		_	
, A	interunfall 1,920 -5 BASF			Hartogen Energy 2.45xc —0.8 Herald W'y71mes 4.35	Mitsukoshi 610 -9 NGK Insulators 825 -10 Nihon Cement 287 -1	Sales Stack High Law Close Dang TORONTO	Sales Stock High Law Class Ching 300 Colon 175 p \$18'; 18's	1150 Hees Inti 52114 294 2114 +14 661	es Stock high Low Chair Ching 5 Sceptre SSI, 51, 53, 00 Scotts 1 SCT1, 27 27 - 1,
	Perimoser 600 Bayer-Nypo. Steyt-Damler 179 -2 Bayer-Veril Veitscher Mag 585 -25 BAW Brown Bove	III	20 542.5 -2.5 dro 100.5 -1	Jimberiana F.P., 0.5 Kia Ora Go'd 0.15 : Lang Large 6.9	Nippon Denso 1,500 +40	Prices at 2.30pm July 2	10650 Centri Tr 5141, 133, 1416 -5 36270 Cineplex 593, 91, 91, 31400 C Disto A 5616 6 C 6 61900 CDisto B I S 6 6 2670 CTL Bank 5111, 101, 11 -1	1030 Jaland Gas \$205, 201, 20th - 1, 693	0 Seam Can 59 ³ 4 9 ³ 4 9 ³ 4 25 Shell Can 52776 2776 2774 + ³ 5 0 Sherriti 5714 714 714 + ¹ 8
*	BELGRAM/LUXEMBOURG Commercial Cont. Gum Price + or July 2 Frs Degussa	mm 152,5 -5,5	-	MIM. 2.75 -0.8 Mayne Nickless 3.02 Myer Emporium. 2.26 -0.8 Mat. Aust. Bank. 4.15 +0.0 News - 6.7 -0.6	5 Nippon Express. 438 -2 3 Nippon Cakki 1,320 -20 Nippon Kokan 140 -2 1 Nippon Cd 922 Nippon Seiko 525 -8 1 Nippon Shimpan 689	330 Abit Proc \$185 ₈ 181 ₂ 181 ₂ 1880 Acklands 5161 ₂ 161 ₂ 161 ₃ 1200 Agnico E 5165 ₄ 155 ₉ 155 ₉ - 1 ₄ 10445 Alt Energy \$185 ₈ 181 ₂ 185 ₈ + 1 ₈	975 Cannon A \$13a 13b 12c - 4	4930 tosco \$14', 14', 14', +', 143 9766 Jannock \$15 123, 14', \$50	02 Southm
	B.B.L 2.015 O'cobe Bab.	cock. 155 -15 July lank. 580 -0.5 Bcc Bilbs	2 Price + or 2 Pta2 1	Nicholes Kiwi 1.75 North Bkn Hill 2.25 -0.0 Oakbridge 0.92 +0.0 Pancent I 1.78 0.8	Nippon Shimpan 689 Nippon Steel 159 2 Nippon Susan 372 -2 Nippon Susan 11,000 400 Nippon Yusen 296 -5	330 Abr Pro \$185 ₈ 181 ₇ 181 ₇ 1800 Acklands \$161 ₇ 161 ₇ 161 ₇ 1200 Agnico E \$153 ₈ 155 ₉ 155 ₉ -1 ₄ 10445 Ali Enérgy \$185 ₉ 181 ₇ 185 ₉ +1 ₈ 3100 Aliz Nat \$143 ₈ 141 ₁ 145 ₈ -1 ₄ 2850 Aligoma \$1 \$214 ₈ 21 21 28500 Andra WA [\$26 293 ₈ 25 +1 ₈ 600 Angren \$173 ₈ 173 ₈ -1 ₉ 20 Argus C px \$107 ₉ 107 ₉ 107 ₈ -1 ₈	8300 Czar Ros 185 180 186 - 10 28727 Daon Dev 470 455 455 - 5 11311 Denison B # \$11% 11% 11% - 5 9010 Denison B # \$11% 10% 10% - 5	1750 Ferr Add \$16% 16% 16% 4% 957 \$2012 \$250 \$27 \$203 \$27 \$40 \$255 \$255 \$256 \$275 \$256 \$	Suiptro 241 235 235 - 15 9 Steep R 215 215 - 5 0 Sydney o 26 25 25
	Bekaert 8	170,2 - 0,3 Bco Cent 530 - 5 Bco Exte 227,5 - 0,5 Bco Hispa rke 110 - 1 Eco Popu	106	Poseidon	2 Nissan Motor - 540 - 9 2 Nisshin Flour 508 5 Nisshin Steel 167 - 4 5 Nomura 1,270 - 10	20 Argus C pr \$10°p 10°p 10°p - 1°a 11100 ARD I I \$9°a 9°a 9°a 35 BP Ceneda \$32°4 32°4 32°4 - 1a 23875 Bank BC \$5°a 5°p 5°a - 1a 78821 Bank N S \$13°a 13°a 13°a 13°a 13°a	35100 Develoon \$53, 63, 63, 63, 550 Dickman A \$6 573 575 - 1, 400 Deckman B \$51, 61, 51,	10300 (acana 510% 10% 10% 10% 155 520 11 Les 5511 511 611 -1 410 3100 10218# Co 5180 150 180 -18 250 3723 10700.75 5215 215 216	30 Tack B f \$13m 13m 13m - 15
	EBES 2.950 Holzmann (F Electrobel 8,650 - 120 Horten Fabrique Nat 2,000 - 5 Hussel GB inno BM 5,675 Karstadt GBL Brigg. 1 BBO 15 Karstadt	170 0.5 Bco Exter 530 - 5 Bco Exter 227.5 - 0.5 Bco Hisp 110 - 1 Eco Popt 185 - 2 Bco Vize 185 - 2 Bco Vize 286 - 4 Dragade: 286 - 4 Dragade: 287 - 1.5 Hedrola-	aya 437 - 3	Santos	Orient Leasing 3.290	23875 Bank BC 5534 51- 55 - 19 76021 Bank M S 513-8 135- 137- 13- 1 15700 Banck o 133 132 133 -1 400 Baton A f 518 18 19 2562 Bonanza R 335 375 375 -10	14710 Du Pont A \$221, 210, 211, 30975 Dylex A \$431, 421, 431, -11	15:30 Marumo (\$15), 150, 150, 151, 240, 4200 Marumo (\$15), 150, 150, 240, 4200 Mariand (\$370, 370, 370, 370, 370, 370, 370, 370,	Tros Mt 512 11's 12 + G
·	Gevaert 5,855 - 45	Petroleon	101 -2.5 3 118 -0.8	Tooth	2 Booken 1 250 - 10	2562 Bonenza R 385 375 375 -10 500 Braiome 480 460 460 13800 Bramales 518° ₂ 181 ₄ 161 ₄ +1 ₄ 3002 BCFP 591 ₇ 91 ₄ 91 ₄ -1 ₄ 26210 BC Ress 241 240 240 6875 BC Phones 524 23° ₂ 24 2500 Brunswit 512° ₃ 12° ₃ 12° ₃ 100 Brunswit 512° ₃ 12° ₃ 12° ₃	826 France 517L 12L 12L 12L	200 Molson B \$161, 161, 161, 161, 161, 161, 161, 161	0 Trindy Res 340 325 325 - 25 10 Trindy Res 340 261 261 261 261 - 19 99 TrCan PL 5261 261 261 - 19 2 Trindo 430 425 425 - 5 0 Trindo A 5221 221 221 211 0 Trico A 5221 261 261 - 19
. 🔏	Intercom 2,170 - 20 Kloeckner . Kredletbank 8,830 - 30 Linde . Pan Hidgs 10,500 - 100 Lithansa . Petrofina 5,630 - 50 MAN . Royale Beige 12,000 + 100 Mannesman . Soc. Gen. Bang 3,370 Mercedes H	69.8 0.8 Telefonic 69.8 0.8 Telefonic 203 5 5 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7	N Price + or Kronor —	Wastern Mining. 3.72 - 0.0 Wasterac Bank 4.1 - 0.0 Woodside Patrol 1.45 - 0.0 Woodworths 2.78 - 0.0 Woormald Intl., 3.71 - 0.0	- Shimadzu 734 -4	31205 CAE \$16 154 155 + 18	28825 Floribridge \$19 195 19 + 1 25330 Fed Ind A \$231, 231, 231, +1 2500 F City Fin \$135, 131, 135, +2	8103 Nowaco W 519's 19's 13's -1s 39's 15's 15's 15's 15's 15's 15's 15's 15	500 Turbo ! 45 46 48 41 Unicomo A I \$8% 8% 8% ***
	Soc. Gen. Bang 5.370 Mercades Soc. Gen. Bange 1.830 5 Mercades Sofina 7.270 50 50 50 50 50 50 50	eck 1,860 - 22 AGA	185	HONG KONG	Shiseldo 1,140 Sony	400 CCL A \$15 15 15 - 14 700 Cad Frv \$15 15, 15 - 14 800 C Mor Wes \$241, 241, 241, 41, 41, 41, 41, 41, 41, 41, 41, 41,	7400 Goldcorn (So. 6) 6.	850 Pembina 516 16 16 - 1000 3000 Phonic Out 580g 51 81g - 100 350 Phone Point 516 151 151 150	10 U Enterse \$11% 11% 11% U Acno \$6% 6% 6% 8% - % 0 U Stacoo 86 66 85 - 4 0 Vovst A I 485 4/0 4/0 - 15
	Wagon Lits 3,360 & Rosenthal Schering	296 -5 Astra iFre Atlas Cop Cardo iFr Cellulosa 578.5 -10 Electrolu	rec 104 104 104 104 120	July 2 Price + or H.K S — Bank East Asia 24.2	S'tomo Marine 726 - 18 S'tomo Metal 151	12590 Cdn Nat Re 28 28 28 81610 CTire A 1 \$1034 1058 1058	2500 Grandina 67 65 65 -2 2500 Grandinc 50 50 50 -1 700 GL Forest \$211, 21 21	1800 Pinco GO 125 125 125 15 15 15 15 15 15 15 15 15 15 15 15 15	Weldnod \$16 16 16 -1 0 Westmin \$133 ₆ 131 ₆ -1 Weston \$85 541 641 ₇ -1
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	Baltic Skand 620 - 25	333.5 -11.5 Sandvik Skandia Skan Ens	EO	HK Shanghai BK. 78 -0.9 HK Telephone, IC1	Tokio Marine 920 -14 TBS 901 +1 Tokyo Elect Pwr 2,050		Ind	lices	
	D. Sukkerfab	1 Lira - Sven Han	≀Match 196 –2 /3	Hutchinson Wpa 25.5 - 0.4 Jardine Math 11.4 - 0.2 New World Dev. 7.25 Orient O'seas. 2.15 SHK Props 12.9 - 0.3		NEW YORK-BOW JOHES		; ; ;	
*	Forenede Damp. 146 -1 Bastoni RB	Ne. 20,620 380 Volvo 6 5 \$ _ 251.5 1		Shell Elect 141 - 0.0	Tacking Floor 160 - 2	1	me June 1585 Since Complance 25 High Low High Low 238 1,323.03 1337.14 1184.96 1337 14 47.22	July July June 2 1 28 AUSTRALIA AUSTRALIA AUGTRALIA AUG	9 June 1985 27 High Low
	Jyske Bank 705 Credito Vare Novo Ind 1,690 50 Fat. 707 4 Finsider 607 24 Provinsbanken 557 2 Generali Ass Smidth (F) 248 Italoementi Sophus Berend, 1,055 La Rinascent	70.2 July 2 0.2 July 2 0.2 July 2 0.2 July 2 0.2 July 2 0.2 July 2 0.2 July 2	Price + or Frs. — 3,260 - 140	Swife P3G A 24.6 -0.7 TV-B 7.5 -0.1 World Int. Hidns. 1.95 -0.9	Yamaha 750 - 2	1	(17) (8/1) (3/7.5) (2.7.5) (8/8 650 93 672.64 553.03 672.64 12.32 (17) (4/1) (17-51 67/22)	Metals v Minis, 1 i so. 505,5 505,7 505,7 505,7 AUSTRIA Creat Aktien 2 1 52 102,52 102,59 103,3	0 505,6 585 % 20 5: 562 5:7 t-
_	Sophus Berend. 1,055 La Rinascent Superfoe	idur. 49,030 - 770 49,030 - 716 Adia Intl. 880 - 10 Adia Intl. 1,973 - 12 Benk Leu 5,900	775 -5 3,890 -40 veri 1,820 -10 gy 3,270 -45	July 2 Price + or Yen -	Yamazakı	Utilities 185.42" 165.37 154.85 164.85 16	87 83 164 50 166-85 146.54 168.85 10.5 (21/8) 44-1) (21/6-25) (25-4-42)	BELGIUM	71 2515,56 2584,12 .5 6- 2090,7 .3H 1-
-	July 2 Price for Snia BPD	3,160 105 Elektrows 16,250 500 Fischer G	att 2,880 -40 / ec 965 -15 /	Ajisəmoto 1,160 -40 Alps Electric 1,600 Amada 1,019 - 10		Trading vol 95a 165.2m 107.6m 94.	.tm 115.6m	DENMARK Topenhagen SE 5 1 55 - u 138.46 127.6 FRANCE	7
	Emprunt 4/4/1974 1,574 Emprunt 7/2 1875 B,270 + 50 Accor	ANDS Jacobs Si Jelmoli Landis &	ne 1.10. 9,175 + 25 uchard, 6,560 - 25 2,380 - 20 Gyr 1,850	Asahi Chem 910 - 8 Asahi Glass 888 - 4 Bridgestone 582 - 5 Canon	Boustaad Hidgs 1.55 -0.01 Cold Storage 2.49 -0.03 DBS	Ind Div Yield % 4.59 STANDARD AND POORS	4.63 4.71 5.80	CAC General 51 12 82: 224,7 224 3 Ind Tendance 29 12 84: 127 6 127,4 127,6 GERMANY	1 127,0 150,4 (5) 5 (00,1 (5))
÷.	BIC	Price + or Oer Buch	rie 1,520 - 10 (350 +2 (37 8,475 +25 (Chugai Pharm	Genting	July Johy Jena June June 2 1 28 27 26		FAZ Aktien 31 12 53 45 09 480.79 453.8 Commerzbank 1 12 55 1452 5 1421.5 1425. HONG KONG Hang Seng Bank 31 7 64 1591.35 1570.60 1570.	
·.	Carrefour 2,180 + 20 AEGON Club Mediterin 544 + 1 AKZO Gie Bancaire 638 + 10 ABM	233 +1.5 Sika		Darwa House	Malay Banking 5.4 -0.05 Malay Utd. Ind 2.25 -0.05 Mulity Durpose 0.82 -0.02 OCBO - 8.6 -0.02	Industrials 212.38° 212.47 211.92 211.27 289.9 Composite 182.45° 182.43 191.85 191.23 180.8	(1/7) (4/1) (1/7/85) (33-6/32) 86 189.74 192.43 163.68 192.43 4.49	FFALY Banca Committat1972 324,93 351,50 532,6	- · · · · · · · · · · · · ·
	Colimeg 298.5 - 1.5 AMEV	249,3 +2.1 Swiss Bar 81.9 +1.1 Swiss Pol 1 169 -1 Swiss Vol sstm. 19 -0.5 Union Bai	1K 472 +10 1 nsee 13,175 +225 1 ksbk 1,770 +45 1 nk 4,290 -105	Fuji Bank	OUS	L	June 12 June 5 Year Ago (Approx)		1 12841,6 12925.0 :29 6: 11645,2 ·5 1: 1 1024,05 1028.97 ·1 7: 916,95 ·4 1:
	Elt Aquitane	gs 37.0 . Zurich In let'm 180.5 - 2.3 U 125.5 - 0.6	5.525 +75	Hasegawa 451 -2 Herwa Real Est 850 -12 Heraghi 741 - 7 Hetaghi Credit 1 130 - 30	Straits Trdg 5.38xc -0.00 Tat Lee 8k 2.6 -0.07 UOB. 5.82 -0.06	Int div yield %	3.77 3.71 4.19 11.54 11.78 10.96 10.31 18.05 13.51	NETHERANDS ANP CBS General - 1970 - 217,1 - 215,0 - 218 6 ANP CBS Indust - 1970 - 161,3 - 175,4 - 176,6	
	Lafarge Coppee, 540 Gist Broades L'Oreal 2,455 3 Henneken Legrand 2,270 - 25 Hoogovens	5 197.5 + 1.5 July 2 148 + 0.3 60 - 0.5	Price + or	House Food 793 - 18 Hoya	SOUTH AFRICA July 2 Price ' + or Rand -	NLY.S.E ALL COMMACK 1985	RISES AND FALLS July June June 1 28 27	SINGAPORE	55 521,68 \$45,97 (3.6) 288,18 (2.1)
-	Maisons Phenix 227 +1 int Mueller Matra S.A 1,755 -25 KLM	60.4 - 1.1 Alliance (Ampol Per 1.2 - 1.5 Alliance (Ampol Per 1.5 Ashton	D 4.41 -0.04 1	Ro. Yokado 2,630	Abercom 1.9 AEACI 8.0 Allied Tech 61 Anglo Am Cool 54.75 Anglo Am Corp 28.10 -0.15	July July June June High Low	1.887 1.993 1.978	SOUTH AFRICA JSE Gold 20 9 76 966 5 995.	9 765.00 852.65 .7 3 764.56 .16 1 .4 996.5 1140.8 .15 4 856.1 .11 2 . .2 972.7 988.2 .28 b .767.1 7 5
•	Moulinex	Van). 29.9 · 0.1 Aust. Guar Aust. Nat. ApM	Inds 2.35 -0.03	Kapima	Anglo Am Gold 167 -3.5 Barclays Bank 20 Barlow Rand 11.3 -0.5 Buffels 70.5 -0.5	NEW YORK AC		SPAIN	9 105.20 117.41 /4 2 101.48 /2 1
	Petroles Fra	55.4 - 0.4 Bell Res. 77.2 - 0.4 Bond Con 141 - 0.5 Boral 70.7 - 0.6 Bougainv		Kokuyo 1,000 Komatsu 472 - 2	CNA Gallo 2.85 +0.05 Currie Finance. 4.2	Monday Stocks Closing on traded price day AT & T 1.495 500 24% + %	Stocks Classing on traded price day Fed. Nat. Mort. 1 058,500 21% + 1. Am. Hsp Supp. 1,051,600 40% - 2	SWITZERI AND	96 1555.14 1496.98 -11 2- 1511.78 -25 6-
	Redote	202.7 - 2.4 Bridge Oil 357 - 4 B.H. Prop 202.5 - 1.5 CRA	inds 5.75 2.4	Kubota	FS Geduid	Pacific Tel 1 274.900 7812 + 1	Taledo Edis 1,041,100 21½ + ½ Phibro-Salomon 910,800 42% + 1½ IBM 885,600 124% - 1½	SwissBank Cpn51 12 58 - 449.9 447.9 445.8 WORLD	4 214,5 216,1 1.7 184,6 4.1
KS	Thomson CSF 524 — 2 Wessanen'	nk. ; 100.5 Castlema Coles C.J Comalco	neTys, 6.46 -0.68 h	Myakita	Protea Hidgs	TORONTO July July 2 1 28		** Saturday June 29 Japan Nikker-D Base values at all indices are 100 e-cept	JSE Gold255 7. JSE Industrial-
	NOTES—Prices on this page are as individual exchanges and are last traded is suspended, and Ex dividend, and Ex scrip is	Costain A s quoted on the Duntop O prices, & Dealings Elders IX	ust 1.6 1 lympic. 2.25 -0.01 s L 2.95 -0.03 s s, 1,48 -0.03 s	M'ta Elec Works. 781 - 9 M'bishi Bank 1,650 - 20 M'bishi 650 - 12 M,bishi E ect 396 + 4	Sage Hidgs 10.5	Composite 2,719.1° closed 2.712	7.7 1,898.5 2198.7 (13/2) 1896.0 (4/1) 2.5 2,763.6 2766.1 (5/6) 2348.5 (8/1) 32 131,75 136.56 (5/6) 117.80 (4/1)	264 2. Australia All Ordning and Metal Stindard and Poors —10 and Toronto Com- indizes based 1975 and Montreal Portlono Indiastrois plus 40 Utilities. 40 Financia u Universible	posite and Milais—1 (40) (cronto 1 1 63 - 1 Excluding bands, - 1 40)
	OVER-THE-COU	INTER Nasdag	· · ·	2.30pm prices		* Indicates: pra-close figure	Chief price changes		
	Stock Sales High Low Last Ching Stock			sles High Low Lest Charg Stock	Sales High Low Last Ching	LUNDUN (in pence	e unless otherwise indicated) Metal Box	AN	
	Continued from Page 33 Radio	mT 86 1214 12 12 on 135 8 7 71	- 1 ₄ Softech 3: 1 - 3 ₄ SoftwA 4: SonocPs 18:	8 1612 1614 1614 - 14 UnTre	ir 1091 33 2714 2614 2634 ic 2.40 84 81 80 81 + 154	Tr. 2%% IL 2009 £ 99 +% Appledore (A&P). 302 +22	Micro Focus	INTERNAT	IONAL
	NuMeds 112 10 ¹ 2 10 ¹ 2 10 ¹ 2 10 ¹ 2 10 RayE O O Ceaser 7 23 21 21 1 1 Reco	En .24 6 17½ 17 17½ Ing 124 21 20½ 20¾ Inn 306 9% 9½ 9½ 33 Inn 64 21 28 27% 27%	+ 114 SonrFd .30e 344 + 12 Sohosp 8 SthdFn 52 155 Soutret 1 321 - 12 Sovrgn .10 98	ið 514 518 518 — 18 UFnGi i5 2634 2619 2619 — 14 UFstFr	rp 183 73g 71g 73g d 95 18 175g 18 1 1.541 97 12 115g 117g + 3g	Baker Perkins 177 + 8 Barclays	Reed Intl. 612 +19 Regentcrest 29½ +3½ Rowntree Mackin 385 + 7	GUID	E
<u>.</u> :	OgliGo 1.08 32 451, 45 45 Here OhloCa 2.80 35 621, 621, 621, Regis OldChas 1 141 311, 301, 31 Regis	/es 369 12 11½ 117 ₈ /El 20 808 6 5 ² 9 6 ss .12 922 16 15 ² 4 16 ub 374 5¹9 51, 5⁵9	SpecCtl .06 13	7 43% 43% 43% US / 17 18½ 17½ 18½ + 5 US 6 4 23½ 22½ 23½ + 7 US 0 11 63 63 6½ 1 USOs	d 98 12: 123 123 121 13 Ant 55 35 31 39-18 1-13 Sep 1 535 31 301 3014 + 13 Cep 259 35 31 35 35 gn 41 31 31 31 31	Body Shop Int 665 +70 Carless Capel 165 +10 Channel Tunnel 170 +20	Tate & Lyle	TO THE	ARTS
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58a 100a 1454 201a 255 33 322 2014 3510 4514 3510 4514 1540 2514 1540 251 4514 1540 251 1540 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 GAF 1.20
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ملذامنه للصل

NYSE COMPOSITE PRICES

Prices at 3pm, July 2 AMEX COMPOSITE PRICES

Prices at 3pm, July 2



FINANCIAL TIMES WORLD STOCK MARKETS

WALL STREET

Pre-holiday caution takes hold

THE LATEST federal data on the U.S. economy helped to keep stock prices firm on Wall Street yesterday although investors remained cautious ahead of tomorrow's July 4 holiday, writes Terry Byland in New York.

Bond prices also moved up despite continued technical demand for overnight federal funds, which kept the rate well above recent levels.

At 3pm the Dow Jones industrial average was down 0.45 at 1,336.69.

Oninions on the progress of the U.S.

Opinions on the progress of the U.S. economy continued to vary widely. Bonds gained half a point on reports that Mr Beryl Sprinkel, a top White House aide, had disclosed that the Administration is trimming its earlier forecast of 3.9 per cent economic growth this year.

Later, the Commerce Department announced gains of 2.1 per cent in factory orders and 9.7 per cent in single family home sales in May – both above Wall Street expectations, and apparently indicating a rebounding economy.

Stock portfolio managers are now poised for the flow of corporate results for the second quarter of the year, due soon. While the manufacturing and agribusiness industries are expected to show a continued slowdown, some other sectors are back in investment favour.

Bank stocks did well, on expectations

MACKEY MARKET MONITORS:

1984

DM Yen

CS

1983

472.22

124.47

153.20

1.047.6

491.87

534.58

606.3

422.4

Yr ago

2,220.6

108.27

90.25

10.99

1985

3.045

248.3 9.27

2.547

1,941.0

1.3575

(3-month offered rate)

Tressury

1992

11% 2015

10% June 1990

3% July 1990

8% May 2000

10% May 1993

10% May 2013

11.80 Feb 2013

12¼ Dec 2012

8% \$2nds of 100%

\$1m points of 100%

\$1m points of 100%

£50,000 32nds of 100%

Silver (spot fixing)

Oil (spot Arabian light)

Copper (cash) Coffee (July)

LONDON

Sept

U.S. Treasury Bills (IMM)

10% March 1993 100%

61.3

FT-Actuaries All-Share Index

1982

1,336 69" 1,337.14 1,130.08

165.37

192.43

1.246.8

600.52

656.48

10.55

12,913.75 12,919.03 10,410.9

1,028.20 1,028.90 793.25

502.8

102.59

2,703.6

131.75

198.48

127.4

1,432.6 1,421.5 1,002.2

1.591,33 1.570,60 868,63

215.0

179.4

767.20 775.27 894.64

1,321.82 1,330.68 1,493.62

215.4

5308.65

\$312.63

\$310.50

\$311.40

108.28 107.62

216.1

GOLD (per ounce)

331,50 208,41

327.20 227.69

157.0 126.4

88.50

174.9

\$313.25 \$314.00

\$314.45

\$315.25

\$310.80

675.68 672.64

STOCK MARKET INDICES

165.42°

192.20*

1.250.8

604.24

659.85

10.56

406.9

505.3

102.62

1.885.41

133.07

334.93

2,321.77 2,321.03

DJ Industrials

S&P Composite

DJ Transport

DJ Utilities

LONDON

FT Ord

FT-SE 100

FT-A 500

TOKYO

FT-A Ali-share

FT Gold mines

FT-A Long gift

Nikkei-Dow

Tokyo SE

AUSTRALIA

All Ord.

AUSTRIA

BELGIUM

CANADA

Credit Aktier

Belglan SE

Composite

Portfeho

DENMARK

SE

FRANCE

CAC Gen

ind. Tendance

WEST GERMANY

Commercbank

FAZ-Aktien

HONG KONG

Hong Seng

Banca Comm

NETHERLANDS

ANP-CBS Gan

ANP-CBS Ind

NORWAY

SPAIN Madrid SE

SWEDEN

SWITZERLAND

Capital Int'i

Swiss Bank Ind

J&P

Zünich

Pans (fixing)

New York (Aug)

" Latest available figure

Osio SE

SINGAPORE

Straits Times

SOUTH AFRICA JSE Golds JSE Industrials

ITALY

Toronto Metals & Minls that second-quarter earnings would reflect the fall in the bank's funding costs in recent weeks. Bankers Trust jumped \$1% to \$72%, Chase Manhattan \$1% to \$62 and Citizen \$% to \$50%

\$1% to \$72%, Chase Manhattan \$1% to \$62 and Citicorp \$% to \$50%.

The hints of a tougher U.S. line in the Middle East following the hostage crisis brought further gains in defence stocks. General Dynamics gained \$1% to \$77, Lockheed \$% to \$53% and McDonnell Douglas \$% to \$78%

Douglas \$\% to \$78\%.

Stock in Exxon rallied after the board said it would appeal against the court ruling on oil price charges which could cost the oil company \$2bn. The rest of the oil sector was mixed, with Atlantic Richfield \$\% down at \$59\% and \$5tandard Oil of Ohio, the British Petroleum offshoot, unchanged at \$46\%.

Chemical stocks too were firmer. Monsanto added \$% to \$49, Dow Chemical \$% to \$35% and Du Pont \$% to \$59%. But pharmaceuticals looked irregular as the dollar swayed on the foreign exchange markets. Merck edged up \$% to \$112%.

AT&T continued to drift down, shedding another \$¼ to \$24 as Wall Street weighed the implications of IBM's threat to the telephone market. At \$125%, IBM gained \$½ while MCI Communications held steady at \$10%.

Honeywell slipped \$\%\ to \$61\%\, but Digital Equipment, number two to IBM in data processing, jumped \$1\%\ to \$96. Sperry, still looking for another bidder, added \$\%\ to \$53\%\ after a block of 500,000 shares was traded at \$52\%.

Despite expectations that the industry will later this week disclose poor sales figures for June, General Motors gained \$\%\$ to \$73\% and Ford \$\%\$ to \$48. American Motors at \$3\% added \$\%\$.

Hospital Corporation of America shed \$% to \$48%, with Justice Department clearance for the merger with American Hospital Supply (AHS) rendered aca-

1350

1300

1000

950

1.3055

3.9725

320.5

12.075

4.475

2.528.0

79.75

10%

9 7.40 6.85

8.57

10.00

8.75

Price

99***

10.08 10115 10.05

10.22 1061 10:18

101%

1071%2 10.44

100% 10.60

100 10.65

94% 11.3

1.3045

3.9725 324.0 12.085

3,3225

4.4775

2.530.0

5½ 10½

80.0

1.77

3.041 247.9 9.2625

2.5485

1,935.5

61.1

1.357

INTEREST RATES

U.S BONDS

Price

10114

105%2

101%

80%

100

103% 11.35

FINANCIAL FUTURES

zy Bonds (CET)

92.93

92.35

92.06

COMMODITIES

July 2

Yjeld

8.67

10.45

Yield 10.00

6.75

10.90

10.60

102% 11.90 102% 11.90

92.07 91.96 92.13

463.50p

110-25 110-31 110-08 110-12

456.45p

£1,084.00 £1,077.25

£1,842.50 £1,857.00

demic in view of Baxter Travenol's bid for AHS. Baxter dipped \$4 to \$15% while American Hospital Supply added \$% to \$40% in heavy trading while awaiting the next move in the bid game.

Retail and consumer stocks eased back, with some of the recent takeover favourites losing ground. Borden fell \$1½ to \$44½, but other losses were modest. General Foods at \$79½ shed \$½, and Quaker Oats, another takeover stock, dipped \$½ to \$52½.

Credit market rates were erratic, behind federal funds trading around 8 per cent, at which level the Fed tried to smooth the pre-holiday cash flows with overnight system repurchases. The funds edged up to 8% per cent despite the Fed's intervention.

Cash moved into Treasury bills ahead of the weekend. Bond prices moved up after a dull start but were not heavily

LONDON

GEC turns off attempt to recover

ANOTHER recovery attempt by London equities faltered an hour before the official close following disclosure of GEC's preliminary statement.

The group's annual profits, although improved, were mildly disappointing and came as an anti-climax to an electrical sector desperately seeking good tidings.

Sentiment throughout the equity market was affected, and the FT Ordinary index surrendered much of an early 8-point gain to close a net 1.8 up at 954.3. GEC managed to finish steady at 162p, but Racal shed 6p to 132p and Thorn

EMI dipped 7p to 360p.

The late announcement of changes to capital gains tax treatment of gilts and qualifying corporate bonds enlivened the government securities market. Index-linked issues rallied by up to % while low coupon conventional gilts also

Chief price changes, Page 31; Details, Page 30: Share information service, Pages 28-29

attracted revived attention.

AUSTRALIA

THE RETREAT in bullion prices did not adversely affect Sydney trading that took the All Ordinaries index 0.3 higher to 860.5.

Local investors, however, remained hesitant about the outcome of the Government-backed summit in Canberra to alter the tax law while the forthcoming federal budget continued to add to the unease.

Among resource issues, BHP fell 6

cents to A\$6.26, CSR moved 1 cent higher to A\$2.86 and CRA dropped 4 cents to A\$5.94.

In golds, Central Norseman lost 20 cents to A\$7.10, GMK 30 cents to A\$8.10 and Poseidon 20 cents to A\$3.15.

SOUTH AFRICA

FURTHER GROUND was surrendered by Johannesburg gold shares as the bullion price weakened.

An end to strikes at Gencor mines failed to reverse the mood, and most mining issues finished cheaper. Vaal Reefs took one of the sharpest falls – R6 to R169 – while more modest setbacks were recorded by Buffles, 50 cents down at R70.50, and Free State Geduld, R2 off at R46.50.

Gencor led mining financials lower with a 40-cent drop to R29.60 and Anglo American Corporation eased 15 cents to R28.10. Industrial leader Barlow Rand continued to weaken with a further loss of 30 cents to R11.30.

HONG KONG

STRONG institutional buying of blue chips and short covering brought Hong Kong trading back to life with a 20.73 point gain in the Hang Seng index to 1,591.33.

Kong 20 cents up at HK\$16.40, Hongkong and Kowloon Wharf 10 cents higher at HK\$6.15 although Hongkong Land was unchanged at HK\$5.65. Other leading shares to finish with

Property issues featured, with Cheung

Other leading shares to finish with gains were Hongkong Bank 5 cents ahead at HK\$7.80, Hongkong Electric 10 cents firmer at HK\$8.30 and Jardine Matheson 20 cents up at HK\$11.40.

SINGAPORE

PERSISTENT selling pressure drove Singapore shares lower for the third consecutive day and took the Straits Times industrial index 8.07 down to 787.20

Sigma, most actively traded, held steady at S\$2.23 as UOB, also active, shed 6 cents to S\$3.82. Elsewhere, Fraser & Neave dipped 15 cents to S\$5.05, Genting weakened 10 cents to S\$5.80 and Pan Electric dipped 3 cents to S\$2.22. Hotels, properties and commodities also lost ground.

CANADA

INDUSTRIALS and financials found isolated support in thin Toronto trading. Moore Corporation traded C\$1\% high-

er to C\$28%, while Canadian Pacific gained C\$16 to C\$19% and Domtar at C\$18% was C\$16 firmer. Royal Trusteo led the financials with a C\$16 rise to C\$21% and Royal Bank edged C\$16 up to C\$30%.

Banks, industrials and utilities ad vanced in Montreal.

EUROPE

International buying gives inspiration

FOREIGN buying provided the inspiration for a resurgence of domestic demand on several European bourses yesterday, triggering an acceleration in share price increases.

Walf Street's overnight climb to a new peak, coupled with renewed hope of lower domestic interest rates, were again the factors behind the advance.

Swiss and Dutch interest centred on banking and financial issues, which overflowed into other sectors to nudge leading indices to records, while Frankfurt experienced a broad-based revival. The Commerzbank index added 11.1

to 1,432.6, marginally below the record high set last week. International investor interest was particularly marked among banking and car issues while chemicals were also

car issues while chemicals were also keenly sought.

Commerzbank was the most actively traded bank, firming DM 2.70 to DM

traded bank, firming DM 2.70 to DM 220.50, followed by Dresdner, up DM 2.50 to DM 259.50, and Deutsche Bank, 50 pfg higher at DM 580.

VW registered the largest gain among the car makers, adding DM 11 to DM

333.50, while BMW rose DM 3.50 to DM 442 and Daimler DM 7.50 to DM 859. Among chemical stocks, BASF ended at DM 220.90, up DM 1.90, Bayer firmed DM 1 to DM 227.80 and Hoechst was 50 pfg higher at DM 227.50. Engineering stocks returned to favour, led by a DM 5 advance for Mannesmann to DM 196, while KHD added DM 6 to DM 273.

down DM 6 at DM 171.

By contrast trading on the bond market was quiet with price moves small. The Bundesbank sold DM 41.6m of domestic paper compared with DM 82m on Monday.

MAN moved against the trend to end

U.S. investors were at the fore of a strong rally in Amsterdam which pushed the ANP-CBS General index to its second consecutive record with a rise of 2.0 to 217.1

Among banks ABN and NMB both reached record levels with the former gaining Fl 6 to Fl 468 and the latter 2.50 to Fl 198. Benefiting also from hopes of further cuts in domestic interest rates, insurer Amev firmed Fl 2.10 to Fl 249.30, and Aegon and Nat-Ned each rose Fl 1.10 to Fl 96.40 and Fl 71.30, respectively.

Publishers were also in heavy demand for the second day with VNU up Fl 3.50 to Fl 205.50 and Elsevier 90 cents to Fl 125.80, while copier maker Océ van der

Grinten moved to a 1985 high with a FI 3 advance to FI 329.

Engineering group Holec featured again with a Fl 9 surge to Fl 234 on expectations that the company will benefit significantly from higher public spend-

ing.

Bonds remained dull as traders awaited a lead from the release of economic indicators from the U.S.

Zurich marched forward largely under the direction of foreign buyers, who expressed their conviction that the U.S. dollar will continue to fall against the Swiss franc through large buying orders which boosted volume to near record levels.

The Swiss Bank industrial index was carried to another record, adding 2.0 to 449.9, while indices covering metals, chemicals, banks and insurance stocks also touched peak levels.

The three leading banks hit record price levels, with the Union Bank up SwFr 100 to SwFr 4,290, Crédit Suisse



SwFr 50 to SwFr 3,000 and Swiss Bank SwFr 10 to SwFr 472.

In insurance stocks, participation certificates continued to rise on active trading. Baloise added SwFr 125 to SwFr 2,000, while Swiss Re was up SwFr 50 at SwFr 2,080.

Paris was sheltered from the activity seen in other markets by the absence of international interest and hestitation among local traders while the market finds a new direction.

The construction sector stood out with several leading groups posting solid gains. Bouygues was particularly sought following news that the company will participate in several aspects of the construction of the cross-Channel link. The company's shares added FFr 17 to FFr

Milan advanced as foreign buyers also entered to lift turnover.

Fiat was out of line with the rest of the market and closed down L30 at L3,750, although after close trading pushed it forward as encouraging comments from the board filtered into the market

Madrid made ground in light trading, while Stockholm was again quiet, and the Veckans Affarer index slipped 2.2 to 455.1.

TOKYO

Private investors dominate

PRIVATE investors injected buying interest into otherwise dull trading in Tokyo yesterday, writes Shigeo Nishiwaki of Jiji Press.

Corporate and institutional investors remained on the sidelines awaiting fresh incentives.

The Nikkei-Dow market average rose sharply above its recent record high at one point but closed 5.28 points down at 12.913.75. Volume remained thin at 368m shares from the previous day's 345m. Losses outnumbered advances by 411 to 381, with 144 issues unchanged.

381, with 144 issues unchanged.

Some car makers and components groups attracted buyers as the market was stirred by reports that Toyota Motor will build a factory in the U.S. to produce 200,000 medium-sized cars annually. Car component stocks benefited from expectations of increased exports to the

U.S.
Prominent among these was Topy Industries, Japan's largest wheel maker, which gained Y2 to Y392 on volume of 6.53m shares, the third most active stock. NOK firmed Y15 to Y563, Kayaba Industry Y2 to Y339 and Nippondenso Y40 to Y1,350.

Mazda Motor put on Y4 to Y470, but Toyota Motor remained unchanged at V1 270

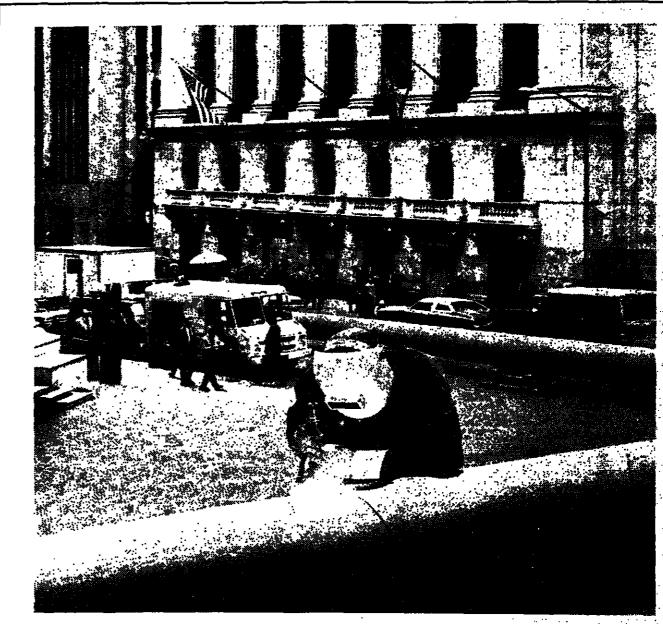
In the absence of fresh incentives, some non-ferrous metals climbed on speculative buying. Sumitomo Metal Mining topped the active list with 10.29m shares and gained Y50 to Y2,030, surpassing the record high reached the previous day. Furukawa also climbed Y28 to Y458.

Elsewhere, Tokyo Sanyo Electric, strongly competitive in the field of refrigeration appliances, came second on the active list with 8.60m shares and rose Y7 to Y726.

Mitsubishi Heavy Industries eased Y2 to Y320 and Nippon Steel Y2 to Y159. Speculative buying pushed Nippon Denko Y50 to Y1,580 on volume of 6.01m shares, the fourth most active. Asahi Chemical moved erratically in speculative buying and closed Y8 down at Y910.

The bond market was relatively active, experiencing a bout of profit-taking by large financial institutions such as securities houses, city banks and trust banks, but firming on a broad front.

The yield on the benchmark 7.3 per cent government bond due in December 1993 fell below the previous day's record low of 6.410 per cent to 6.390 per cent.



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For a copy of TransCanada PipeLines' 1984 annual

For a copy of TransCanada PipeLines' 1984 annual report write to Mr. Gary Lloyd, Director — Investor Relations. P.O. Box 54, Commerce Court West, Toronto, Canada, M5L 1C2.



ملذامنه المصل

FINANCIAL TIMES SURVEY

A time of unprecedented economic and political change faces Hong Kong as it begins its 12-year adjustment to the end of British colonial rule and its re-absorption by China

A territory in transition

By David Dodwell

WHEN THE Chinese national flag rises over Hong Kong's government offices in the first week of July 1997, the intention is that people will treat this as any other day and get on with business as usual. Certainly the British colony's government will spend the next 12 years creating an impression of unruffled continuity in the handing back of sovereignty to the ing back of sovereignty to the mainland.

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possibility of further political and economic upheaval on the mainland. If present policies

remain intact, Hong Kong stands to gain substantially, albeit as a service and entrepot

China's main concern has seemed to be to inherit Hong Kong as an efficient money-making machine. While the pre-occupation of Hong Kong people with a company is people with a company in a constant of the control of th people of Hong Kong face a specific time of imprecedented change.

The strength and importance of the territory has specific to the strength and importance of the territory has specific to the strength and importance of the territory has specific to the strength and importance of the territory has specific to the strength and t creasing number, particularly among the young and well educated, who also want clearer assurances about the quality of





ime of upprecedented change.
The strength and importance in the young and well assurances about the quality of a sexpansion of the hollow wast clearer from, China. Questions remain whether this vibrancy will be retained once Hong Kong is reabsorbed by the main-land.
The strength and importance among the young and well assurances about the quality of the angle of the proposed that is provided to the proposed of the proposed in it. It is so idealistic, one alter trained nor merital crimes and over the proposed the hearing of complex commercial crimes and over the proposed in the propos

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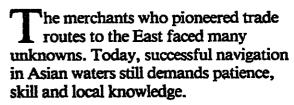
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SOCIETY Clyil Service: Bureaucrats' triple Pollution: Profit worries over clean-up Defence: Fears for

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A 12-year period of transition

CONTINUED FROM PAGE ONE

president of the Buddhist Association. In contrast, Peking was obdurate over British proposals to include Hong Kong Chinese on the Joint Liaison Group, which will oversee the transi-tion to 1997. Some still see an iron fist beneath the silk glove.

There are signs that Hong Kong may be a hard place for Peking to handle, in part because it is a sophisticated and affluent society being absorbed into what is still a rural peasant

There are signs of a sense of there are signs of a sense of belonging among Hong Kong people. After more than a decade of relative stability this traditionally refugee community has begun to put down roots. About 60 per cent of the population was born in Hong Kong and identifies strongly with it.
How Peking will respond if this
comes into conflict with calls
for overriding loyalty to the
motherland is uncertain.

motherland is uncertain.

Many also have a strong sense of goodwill towards China, which has prompted them to take Peking at its word in a year during which many promises have been made. Much business being done in China reaps negligible profits, and is based more on patriotic than commercial logic.

This has left many in the

This has left many in the small but significant expatriate small but significant expatriate group in the territory's civil service feeling out in the cold. Recruitment of expatriates for pensionable jobs has come to a balt, and no more than 70 will still be in service in 1997. The Taipans of the late 19th century acknowledged that the Chinese were vital to the community, but if they chose to work in a Crown colony should be expressed to run writh in be prepared to put up with in-conveniences to preserve the well-being of expatriates. To what extent will the tables be turned after 1997?



Sir John Brembridge: "Hong Kong still exposed"

Change has already brought down one of the pillars of Hong Kong's laissez-faire philohophy. There is a sad irony that the ideals of "positive non-interventionism" sculpted by Sir Philip Haddon-Cave, should be under assault just as he retires as Chief Secretary after almost three decades in the territory.

The recent scandal-ridden collapse of the Overseas Trust Bank has underscored the need for closer supervision of the banking sector, and may add impetus for better regulation of the securities industry. Hong Kong is not headed in the direction of Singapore, but the territory may prove a less attractive haven in the years up to 1997 to the capital of uncer-tain origin that has played such an important part in past growth.

help restore calm.

It is improbable that the bank has any great faith in such superstition, but in this instance, the interests of the soothsayers and the Chinese authorities coincide. The Year of the Or may therefore live. of the Ox may therefore live up to its reputation.

Economic squalls dispel complacency

AFTER THREE of the most turbulent years in Hong Kong's savagely penalises dogmatism.

143-year history, by the time of this year's April Budget the colony appeared to have found salvon waters.

"The prospects for sustained economic growth in 1985 largely depend on whether the economic calmer waters.

The effects of the 1982 The effects of the 1982 property market collapse had begun to work their way out of most company balance sheets. Political alarms around the final difficult stages of Sino-British negotiation over Hong Kong's future, which had kept the local currency and stock markets in a state of shock, had been quietened.

Strong growth in the U.S. economy, and the opening up of China had provided impetus for striking economic growth.

But the past two months have reminded anyone rash enough to be complacent just how fickle Hong Kong's economic climate can be. Protectionist moves in the U.S. have put a share of the colony's garment exports in jeopardy, while de-mand for electronic products has stagnated.

Most recently, the scandal-ridden collapse of the Overseas Trust Bank, one of Hong Kong's leading local banks, has highlighted continuing weaknesses in the economy and taken the wind out of the Stock Market's

an important part in past growth.

Tremors following the collapse of OTB sit uncomfortably with the fact that 1985 is the Chinese Year of the Ox—a year of hard work, resilience, stability, peace and prosperity. It is therefore notable that the Bank of China stepped in to help restore calm.

These developments may prove a valuable sobering effect in the territory after a remarkable period of economic growth in 1984 when the gross domestic chinese Year of the Ox—a year of hard work, resilience, stability, peace and prosperity. Tose by 17 per cent. Exports to China soared by 60 per cent, inflation fell to about 8 per cent and real incomes rose by 11 per and real incomes rose by 11 per

> These were all in an economy boasting full employment. But Sir John Bremridge, Hong Kong's financial secretary, struck a warning note in April's becomes more imminent, so the Budget debate when he told legislative councillors: "We live live increasingly powerful role in to bail out Conic Investments.

economic growth in 1985 largely depend on whether the economic depend on whether the economic conditions prevailing in our main markets continue to improve; on the maintenance of the competitiveness of domestic exports; on the extent to which Hong Kong's products have freedom of access to these markets; and on the productive capacity of the economy."

He worries that visible trade accounts for more than 160 per cent of gross domestic product, Strong demand from the U.S. last year only served to increase the territory's dependence on its leading market, which now accounts for 44 per cent of exports.

"Hong Kong is still very exposed to external forces over which we can have no control," Sir John said.

This is one reason why his projections for 1985 are cautious. Exports are forecast to grow by 11 per cent, and the gross domestic product by a below-average 7 per cent. Maintaining tight control of public spending, he forecasts a budget deficit this year of HK\$1bn, and a return, for the first time in four years, to a balanced budget next year.

There are signals that he may achieve a balanced budget this year. But after getting his budget sums wrong by several billion dollars in the wake of the property market collapse, he is not planning to leap to early conclusions. early conclusions.

Uncertainty is likely to remain a common denominator of Hong Kong's economic life, but the reasons are changing. As 1997 approaches and Hong Kong's reabsorption into China

Uncertainty is likely to remain a dominant factor as the territory's economy comes more under the influence of mainland China.

Meanwhile, a new political system is evolving

Trade between Hong Kong and China has rocketed in five years. Less widely appreciated is the extent to which mainland Chinese institutions have invested in local manufacturing—estimated at more than HKS2bn—and fostered Hong Kong investment in mainland ventures

One potent but indirect signal of this trend is that since early 1982 Hong Kong has been a net debtor to Chinese banks. Overall net indebtedness has risen to \$13.8bn in that time, and swing in China's favour by more than HK\$20bn since the first greater of 1981

The possibility of political turbulence inside China in the years ahead, which would clearly hurt Hong Kong, cannot be ruled out. But China is do-ing much to foster stability and economic prosperity in the

Trade between Hong Kong and China has rocketed in five years. Less widely appreciated is the extent to which mainland Chinese institutions have in-

The Bank of China has also played a part in the Government's maintenance of currency stability. The link with the U.S. dollar, introduced after a serious run on the Hong Kong dellar in September 1983 Kong dollar in September 1983, held firm in spite of political upsets last summer.

The price of this policy has been extreme volatility in inte-rest rates and one of the world's strongest currencies, which has not been welcome to local exporters. The defence, fiercely defended over the past year, does not appear about to fail. But the Government has signalled that economic performance over the year ahead will depend heavily on movements in the value of the U.S.

A break in the link cannot be ruled out, but is only likely if the U.S. dollar falls suddenly

Sir John Brembridge's reluctance to pay any savage penalty for over-attachment to dogma

Overview

go examination is Hong Kong's
"no questions" regulatory system. Tighter supervision of the territory's security and banking industries is inevitable in the wake of corporate and banking scandals.

Taxation

The failure of OTB, with bad debts that could amount to HK\$4bn, prompted Sir John to say: "Freedom has its price, We must ask whether we are paying too high a price."

Questions have also been raised over low taxation because

● A series of large budget deficits in the wake of the 1982 property collapse, the aim of a balanced budget means that government spending has to be cut or taxation increased. With

 Pressure to increase welfare spending, partly because Peking would like to see the "unaccept-able face of capitalism " receive attention before 1997, and partly because a gap is emerg-ing between Hong Kong's dis-advantaged and the middle

has led to a new look at issues that would once have been un-questionable. The first sacred cow to under-

squalor should not co-exist," Sir John said in April's Budget dehate, reflecting a sentiment that Peking would endorse.

In spite of this trend, the Government says it remains wedded to low taxation.

"Hong Kong is not a tax haven, but we know that moderation in taxation is an essential spur to individual effort," the Financial Secretary said in February this year.

public sector spending likely to account for a mere 16 per cent of gross domestic product this

of gross domestic product this year after severe cost-cutting exercises, the Government has said public spending has already been trimmed to the bone.

• A steep and permanent decline in carnings from the sale of land leases. The Government acknowledges that substantial earnings from this source in the early-1980s were extraordinary in any case. The

source in the early-1989s were extraordinary in any case. The establishment of a land commission, made up of Chinese and British officials to regulate land sales and set aside half the proceeds for Hong Kong's post-1997 government means that this will naver again be a significant

never again be a significant

classes.
" Private affluence and public

After the upsets of the past three years, Hong Kong is per-haps a steadier and more mature place. Sir John Brem-ridge is among those who acknowledge that this has to be a good thing, but it is likely to make Hong Kong a duller place in which to live and work.
"It is the barracudas that

have made life here so interest-ing," he says. **David Dodwell**

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Shadow political parties developing by stealth

THE DEVELOPMENT of democratic institutions in emergent nations can be tumultuous, nations can be tumultuous, accompanied by much turmoil. This is not so in Hong Kong. One difference between the colony and, say, Zimbabwe in 1980 is that while the latter was lurching towards statehood, Hong Kong is set to become a capitalist adjunct of China. Not only the standard of living but the political destination is different.

In Hong Kong they are start-ing the political process in re-verse of the normal order. Local Chinese are already well repre-sented at every level of the administration under the patrician figure of the Governor. They have direct access to power and influence and are in some ways well placed to step into the shoes of the colonial authority. They also, crucially, control most of the economy. Only now, however, with the handover date of 1997 hurtling towards them, are they having to worry about on whose be-half their power should be

wielded and with what authority. A common denominator for many Hong Kong people is love of money. If there is a Confu-cian equivalent to mammon then someone in Hong Kong probably discovered it.

Ideals

There is a conviction that hard work and initiative can make you a millionaire. It is a characteristic of refugee communities worldwide.

It follows that the political middle ground starts with the

premise that no-one should be deprived of his or her right to earn large sums of money and to spend it virtually without hindrance. Many pressure groups—and many of the young -have more complex and soci-ally concerned ideals, but they

remain a minority.

The second political constraint is China, which has yet to articulate its feelings on how the new Hong Kong should be run but which is less than enthused by the prospect of a pluralist democrary. pluralist democracy.
China wants Hong Kong to

China wants Hong Kong to be effectively governed so that it continues to operate as a money factory. It does not wish to take over a territory which it cannot readily control. Within these two parameters, Hong Kong's political establishment is beginning to move. "Personalities" are coming to the force; ideologies are being evolved.

evolved.

Political parties are being formed only slowly. Political association is by stealth, with few open admissions of group identity and discipline.

The Progressive Hong Kong Society, run by Maria Tam, is far and away the most influential of these shadow parties. Many successful candidates in the local district elections in March owe their success at least in part to Miss Tam's patronage.

A 39-year-old lawyer and a member of the Hong Kong Legislative Council, the Executive Council and the Urban Council Miss Tam denies claims that the its coeking to build the council with the seeking to build the council with the coun



Maria Tam: "I don't believe in the free lunch "

Allen Lee: "We are putting the economy first"

nate Hong Kong after 1997.
"I am setting up a relay structure," she insists. "I am

little disingenuous when she plays down personal ambition.
"I know where we will be in a year's time better than my colleagues, but I'm not saying," she adds.

So what does the Society stand for? The popular belief is that it is strong on law and order and its leader does not deny this. What else, though? "I don't believe in the 'free lunch,'" she says, echoing a widespread distaste for a number of walface county. ber of welfare state benefits, particularly unemployment benefits. "Nor do blue-collar and white-collar workers." In

works, providing the rich are involved. If the rich concentrate solely on making money and leave government to the less rich, there is a danger of a swing towards Socialism." Miss Tam's backers are mostly rich and a lot of money

has been lavished on her efforts. Even so, there are ordinary supporters, too, as clearly demonstrated in the district elections. These are the people who aspire These are the people who aspire to wealth; certainly they believe in the power of money for good. Across the harbour, but at a similar point along the political spectrum, Mr Allen Lee, a prominent Hong Kong industrialist in his 40s, helps lead a rival grouping of the privileged that has yet to give itself a name. He and other members of the colony's Chinese elite, including the redoubtable Mrs Selina Chow, a fellow member of the Legislative Council, have yet to work out exactly what they stand for. There are, though, several pointers.

"We are preparing a feasi-bility study on politics," Mr Lee

"We are preparing a feasi-bility study on politics," Mr Lee says. "And we are putting the economy first. Economics and politics should go hand in hand, have it is the account which in but it is the economy which is

vital.
"The system that has made what it is today member of the Hong Kong
Legislative Council, the Executive Council and the Urban
Council, Miss Tam denies claims
that she is seeking to build a
personal power base to domi
"The system that has made
Hong Kong what it is today
must be maintained. It is the
creation of wealth, not its distribution that will be our first
priority. Before anything else,



we are businessmen.

The Lee group — which intends opening its doors to every level of society—is studystructure," she insists. "I am not going for the tape. The one to run the last 100 metres (and become Hong Kong's first post-colonial chief executive) is not ver known."

every level of society—is studying the constitutions and manifestors of British and U.S. political parties, "trying to find out what they stand for." It is also going through the list of yet known."

Miss Tam is perhaps being a also going through the list of members of the district councils plays down personal ambition.

its beliefs.

None of this is an easy business. "A strong party would need at least 20,000 members some would say 200,000," says
Mr Lee. "But the people of
Hong Kong are not that interested, and getting them to
examine the claims of different parties could prove quite a

Involving the people is also the aim of Dr L. K. Ding, a 65-year-old veteran of Hong Kong's political by-ways and co-founder of the Association for Democracy and Justice. Dr Ding is a committed Christian and and white-collar workers." In a full employment society this is small wonder.

"I am convinced you can have a capitalist society that Europe as a Social Democrat, is a committed Christian and would most probably be seen in

Welfare

He remembers the Cultural Revolution and believes it is essential for Hong Kong to organise in such a way that it does not cause offence to China.

Dr Ding is one of a number of pressure group leaders in Hong Kong whose expressed concern is for the welfare of the member

concern is for the welfare of the people.
Most of all though, he is con-cerned about the maintenance of freedom within a society whose destiny is being shaped elsewhere.
Miss Tam is also aware of the limitations imposed on de-velonments in Home Kong by the

the limitations imposed on developments in Hong Kong by the authority of China. For the moment, she is concentrating on problems closer to home.

Various other putative parties are arising. Elections to the district councils will be followed in September by those for the

district councils will be followed in September by those for the Legislative Council, so time for organisation is short.

No one group is likely to emerge triumphant in September. The election is indirect, and calls in part on functional constituencies representing different industrial and professional classes which are now forming the political parties. It should be possible after the ballot boxes are closed to see how the opinion makers are forming their own opinions.

Walter Ellis

Walter Ellis

Retailing, Containerisation, Trading and a patient, long-term approach to China...

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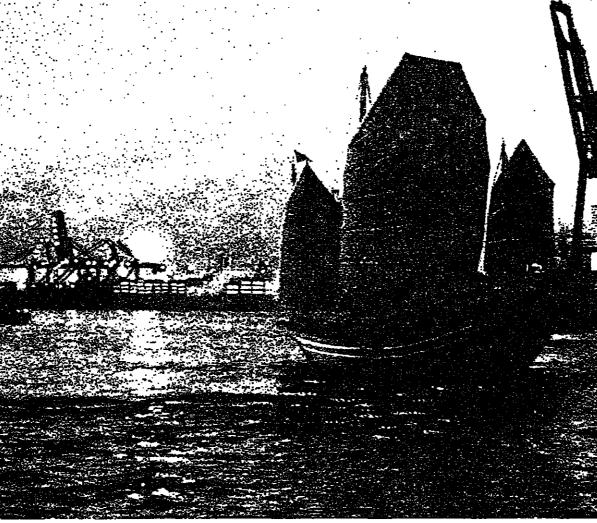
Meanwhile,manyHongKong consumers wanted an alternative to traditional family stores and streetmarkets. Hutchison's A.S. Watson Division was positioned to accommodate. The Park'n Shop supermarket chain is now the largest in Hong Kong. Watson's retail chain

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The trading position remains

solid. Unwelcome pressures in

the West have been offset by

China's growth. But anxieties

abound. Will protectionism grow,

and what else will the future

hold as 1997 approaches?

Overhung by complex of emotion

Trade LARRY KLINGER

ON THE opening page of Talpan, James Clavell's popular novel based on the history of Hong Kong, an American businessman, waiting to witness Queen Victoria's representative take formal possession of the territory, expresses the senti-ment that the future of the China trade is here, for better

or worse.

This draws a sharp retort from a fellow China trader.

"Hong Kong's got no future."

Today, nearly 150 years later, as Britain prepares to hand back its colony to China, Hong Kong's trading position is again overhung by a complex of emotion: For the immediate term,

there is the business com-munity's widespread optimism based on proven success in being able to adapt quickly to changing conditions.

For the short term, however,

there is deep concern on how to cope with a still-flagging world economy and, especially, with growing protectionist sentiment in the U.S.

For the long term, there is a controlled anxiety, in some cases tinged with fear, over what the future could hold as time marches towards the 1997

handover to China.

Meanwhile, the China trade is booming. Hong Kong is taking once again its traditional role as a thriving entrepot for the mainland without having to les-sen its manufacturing industry, created out of economic necessity when the China trade was

In the seven years since Peking launched its outwardlooking modernisation policy, industrial modernisation. Hong China has become Hong Kong's Kong government and business China has become Hong Kong's Kong government and business markets. This puts China's 7 second most important market circles are unable to forecast per cent in a different perspector domestic exports, after the what this policy, which they be-

U.S., leaping from 15th place in 1979, when it reappeared in the top 25. Hong Kong's domestic exports Hong Kong's domestic exports to China last year were worth more than HK\$11bn (compared with 0.7 per cent of that in 1978) and are expected to increase this year by 50 per cent in value terms. First-quarter growth this year was 97 per cent over the same period in 1984.

Hong Kong's re-emergence as

Hong Kong's re-emergence as entrepot for the mainland is even more striking, straining the territory's port and spurring expansion plans for container facilities. These should soon put the port ahead of New York and behind only Rotterdam in turnover.

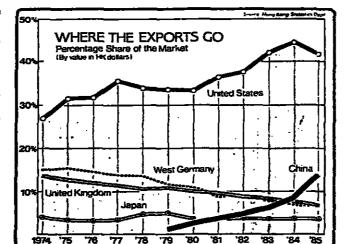
The territory's re-export of Chinese goods showed nearly an eight-fold growth over the past roven years and reached more than HKS 28bn in 1984. This year's first-quarter re-exports were nearly 150 per cent greater were hearly 150 per cent greater in value compared with the period a year earlier. About 50 per cent of the territory's imports from China are being exported compared with only about 35 per cent in 1978.

High-tech

Re-exports to China, following a decline during the main-land's political upheavals in the early 1970s, have also shown almost continuous growth to more than HK\$ 28bn last year. This represents an average growth of 125 per cent during the past seven years.

However, this booming trade remains subject to the Chinese Government's policy, or pos-sibly even political whim, in its handling of what remains a

sity when the China trade was cut by the Korean war in the clamping down on money supply and on the flow of Section exchange for goods other than high-tech materials needed for industrial modernisation. Hong



lieve is still not completely formed, will bring.

formed, will bring.

Meanwhile, the Hong Kong Government is sticking by its forecasts. "We have more than a 50-50 chance of meeting our expertations this year to China of between 30 and 40 per cent growth in real terms," one

government economist said.

More worrying, in the short to medium term is the trading position with the territory's Western partners, particularly in the mainstay textile and electronic industries. tronics industries.

Hong Kong businessmen are quick to say that with the world's eyes focused on developments in China, it is increasingly overlooked that the territory's trade is still dominated by the U.S., which takes more than 40 per cent of Hong more than 40 per cent of Hong Kong's own exports. U.S. trade. combined with that of West Germany (nearly 8 per cent), Britain (7.5 per cent), Canada and Australia (both with more than 3 per cent), represents more than two-thirds of the

Hong Kong has weathered better than most the world economic downturn, with export growth on a year-to-year basis averaging around 25 per cent over five years. But the Government's survey of the economy at the end of last month are at the end of last month pro-duced some disturbing figures. Domestic exports fell by 1 per cent (nominal) in the first

quarter compared with the period a year earlier, while those for the U.S. fell in real terms by 6 per cent, for West Germany by 20 per cent. Britain by 13 per cent, and lange by 3 per cent. Japan by 3 per cent. There were some signs of a slowdown in manufacturing. with greater retention of im-ports of raw materials and semi-manufactures. The slower growth rate in the U.S. economy

was cited as a main factor. It is the U.S. that is causing most worry. In addition to slower economic recovery, protectionist sentiment is growing and the market for Hong Kong's exports of office machines and data processing equipment (off 38 per cent in the first quarter) market, which takes 90 per cent of Hong Kong's electronics industry has not been what you would call healthy this year." executive for research and development at Elec Eltek.

"I would not say the situation is bleak. The industry

and sound recording and repro-ducing equipment (off 23 per cent) may be reaching satura-

cent) may be reaching satura-tion point.

Hong Kong received a shock last autumn when, in the run-up to the U.S. presidential elec-tion, the Reagan administration bowed to long-resisted pressure from the U.S. textile industry and allowed a revision of the rules of origin on knitwear. rules of origin on knitwear. This banned import of high-earning Hong Kong products

whose basic components were manually produced in China. The Hong Kong industry res-ponded by placing orders for an estimated HKS 200m of knitting machinery from Japan and Europe. The alternative, was the loss of business worth up

to HKS 2bn.
"We can get over this problem if it remains an isolated
one," said Mr Kenneth Fang. director of Fang Brothers Knitting. "The trouble is that we know support is building in Washington for greater protec-tionism, which could roll back trading rules to the early 1970s and make a nonsense of GATT.

There doesn't seem to be an immediate threat from the EEC, but what if they get the same idea as the Americans?"

In the electronics industry the problem is that the slowing down in the recovery of U.S. consumer spending power has coincided with saturation in the market and a tightening of technical specifications on imports.

Hong Kong is responding by developing sales to China for its existing products, which, the Americans think of as old but the Chinese find new. Advanced products are also being developed for the U.S. with accessories providing new functions.

'The saturation of the U.S. market, which takes 90 per cent of Hong Kong's electronics

Economy

coing bankrupt, except for some very small ones. The U.S. dollar is weakening and, with the Hong Kong dollar pegged to it, the Europeans will be back in the Hong Kong market in the third and fourth quar-

Mr Ng, along with the majority of other Hong Kong manufacturers in most fields, sees the China trade as where the bright future lies. Mr Ng's company was able to "get rid of " 30,000 telephones in China that had been destined for the U.S. With thorough optimism—

whether real or not is not always easy to know—business-men say that China must modernise to compete with the rest of the world, and that Hong Kong can help.
On the other hand Hong Kong executives admit privately that

their companies are fast establishing branches overseas where business can be transferred.

business can be transferred.

"We will not just announce one day that we are quitting, like some of the British do," one executive said. "We are Chinese and will go with dignity; but we will go if we have to."

The clampdown by China on use of foreign exchange has also increased concern over how much the country is prepared to buy. Last year Hong Kong's manufactured goods increased in price by 7 to 8 percent, while the Hong Kong creased in price by 7 to 8 per cent, while the Hong Kong dollar appreciated about 25 per

ent against the Chinese yuan.

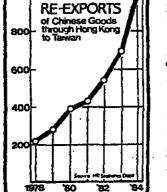
GUANGZHOU ŞI FOSHAN I

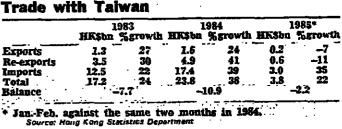
UANGDONG

Trade with China

<u>-</u> -	1983		1984		1985*	
	HK\$bn & growth		HK\$bn % growt		h HK\$ba % growth	
Exports Re-exports Imports Fotal Balance	6.2 12.1 42.8 61.2 -24.4	64 52 30 55	11.3 28.1 55.8 95.1 -16.4	81 130 30 45	3.9 11.8 12.1 27.8 3.6	97 149 3 45

* First quarter against the same period in 1984. Rounded figures do not necessarily total.





A pragmatic approach to mainland trade

Taiwan

LARRY KLINGER

HONG KONG'S nearest neighon the previous year of 3.6 per bour of any significance other than China is the island-state of Taiwan, about 110 miles from the mainland.

It is little more than an hour away by leisurely jetliner, but politically the distance can be measured in light-years. Econo-mic relations between these two Chinese-speaking compatriots in capitalism are burgeoning but for the most part shrouded in

Taiwan's rulers, directly de-scanded from the leadership that fied the mainland communist revolution in the late 1940s still maintain they are the only legal government of all China. They, therefore, consider direct contact with the mainland as aid to the enemy.

secrecy.

They seem prepared, however, to turn a blind eye to Taiwan's rapidly increasing trade with the mainland, most of which passes through Hong

The evidence of officials and The evidence of officials and diplomats in Hong Kong and Taipei is that Taiwan is prepared to sacrifice a little dignity because it would be foolish to disrupt a lucrative trade which it could do little to cut off even if it wanted.

Hong Kong by major destina-tions which show that this trade to Taiwan for 1984, amounted to nearly HK\$1bn, an increase

This trade will continue, too.
Mr Chao Yao-Tung, chairman
of the Council for Economic
Planning and Development, the
Taiwan Government economic advisory body, points out that Taiwan is fighting for its eco-nomic survival, and could not therefore cut off its trade with Hong Kong because of the Sino-British agreement on the transfer of sovereignty to the main-

Taiwan could not say "yes" to direct trade, but had to realise, too, that it could not stop indirect trade through other countries. Hong Kong was the key port in the region, not least because of the business intelli-gence there, he said.

The real danger to Taiwan was that China could cut this trade without notice. Taiwan's industrialists were being urged, therefore, not to expand investment and production in a way that they would become vulnerable to such sudden decisions.

indestrialists were being urged, therefore, not to expand investment and production in a way that they would become which it could do little to cut off even if it wanted.

The exact amount of trade is unknown, given that Taiwan industry is banned from trading with China. But Hong Kong is Taiwan's third largest man, on the day that the Sino-British agreement was being formally signed in Peking. He said that while the issue was still subject to study and debate in trease of nearly 40 per cent on 1983.

Hong Kong officials estimate that up to 60 per cent of this finds its way to the mainland, which would put Taiwan's indirect exports to China last year at about US\$1,3bn. Many experts believe the real figure to be much higher, and one Taiwan-based international banker concerned with trade puts indirect exports through Japan and Singapore as well as Hong Kong, at about US\$2bn.

Contrary to general belief, there are official statistics relating to the China-Taiwan contrary to general belief, there are official statistics relating to the China-Taiwan of May a Taipei newspaper report in the mainland's therefore, not to expand investment and production in a way that they would become vide restinct on the such suddent in Taiwan is still held by men indicating popposed to the Communist government on the mainland and that a stronger mainly signed in Peking. He said that while the issue was still subject to study and debate in Taiwan, there was no reason to cut links with Hong Kong affairs beyond what has been agreed.

Between now and the 1997 Taiwan is of the bargain.

He also emphasised the dandirect exports to China last year at about US\$1,3bn. Many experts believe the real figure to be much higher, and one on the mainland. Which would put trailed to the contract of the bargain in the could be achieved in the real puts indirect exports through Japan and Singapore as well as Hong Kong, at about US\$2bn.

Contrary to general belief, there of the contract of the

trade. The Hong Kong Statis-suggested that security forces ties Department has published figures spelling out re-exports of Chinese-origin goods through Hong Kong by major destinations with the mainland. Mr Chao took immediate steps to hear the proper retreated to have the report retracted. Taiwan also appears to have

adopted a similarly cautious position in its political relations with Hong Kong. The Taipei Press still writes regularly, as The China News did at the end of last month, that "Great Britain has sold Hong Kong down the drain in an illegal pact with the communist Chinese.

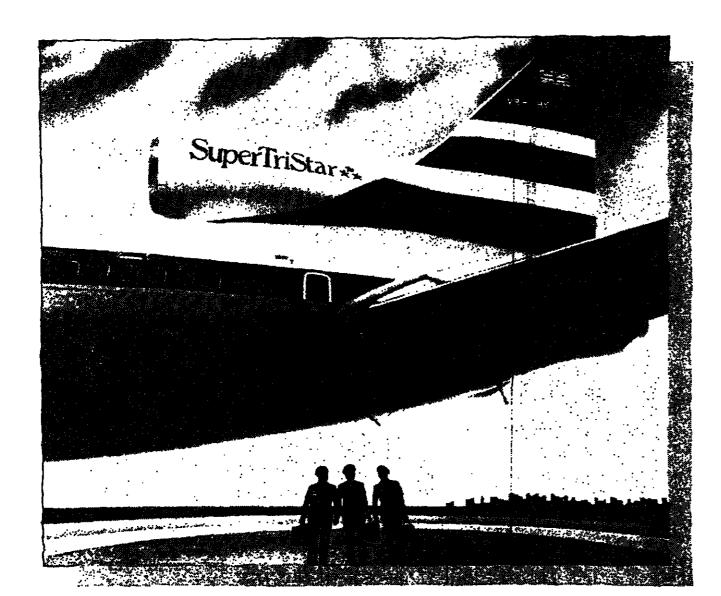
But the UK authorities in the territory, after some anxiety when the pact was agreed, now believe that Taiwan's foremost concern is stability rather than disruption of the agreement.

They believe that, in any case,

They believe that, in any case, the number of hard-core activists with allegiance to the Taiwan Government has dwindled in the colony to about 2,000. There have been no serious incidents allegedly inspired from Taipei since the riots of 1956.

"The situation seems the reverse of what we might have feared," one British official said.
"As the extensive economic

"As the extensive economic links build up between Taiwan and the mainland, Taipei seems increasingly willing to turn a blind eye even to unofficial diplomatic activity when Hong Kong can prope wasful!"



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Puzzling problems of looking outwards

Mainland LARRY KLINGER

ichta.

CHINA'S DECISION seven years ago to adopt an outward looking policy as a means of modernising its economy was bound to increase its interaction with free-wheeling capitalist Hong Kong. The phenomenal growth in two-way trade that has taken place and the revival of Heng Kong as an entrepot for the mainland is one result. At the same time some of the consequences have been less favourable — and in some instances puzzling.

On the macro-economic level,

the great leap forward in trade resulted in China having to come to grips with such issues as foreign currency policy. In other areas the two systems have remained apart.

For instance, Hong Kong's interior, to the obvious benefit of the Hong Kong consumer pegging of its currency to the U.S. dollar means that its inflation rate is almost entirely generated externally, while China's still relatively closed economy means that inflation remains largely domestic.

However, the door was also opened to some on-the-ground experiments that have produced surprising results. For example, were passing through unofficial to the obvious benefit tors, personal computers and motor-cycles, with the result that they are running big deficits on trade. The suggestion is that these goods are finding that these zones are, at least for the growing quantities of foreign exchange which they are running big deficits on trade. The suggestion is that these goods are finding that these zones are, at least for the growing quantities of foreign exchange which they are running big deficits on trade. The suggestion is that these goods are finding that these zones are, at least for the growing quantities of foreign exchange which they are running big deficits on trade. The suggestion is that these goods are finding that these zones are, at least for the growing quantities of foreign exchange which they are running big deficits on trade. The suggestion is that these goods are finding that these zones are, at least for the growing quantities of foreign exchange which they are running big deficits on trade. The suggestion is that these goods are finding that these zones are, at least for the growing quantities of foreign exchange which they are running big deficits on trade. The suggestion is that these goods are finding that these zones are, at least for the growing duty-free, on preferential terms.

surprising results. For example, were passing through unofficial the long-standing system of channels and well above the supplying mainland vegetables official exchange rate. There to Hong Kong received a jolt also were strong suspicions

retained after state quotas have exchange dealers profiting on been met. China has also leased the black market some farming plots to Hong- According to officials in Hong kongers in the mainland's Kong, a similar situation, special economic zones adjacent

but the result of the new policy in an attempt to ensure there has been a flood of cheap vegetables seeking foreign There is also some mystery exchange on the Hong Kong over what is really going on in market and disruption of established trading patterns on both sides of the frontier

The established Hong Kong traders complained to their mainland counterparts, who, sympathetic because of the slump in their own business,

For instance, Hong Kong's interior, to the obvious benefit free-market position and the pegging of its currence.

after China adopted a new that the enterprising mainland-system that allows profitable based Hongkongers were not so

from the territory, existed for to the colony.

Vegetable imports from the territory, existed for a while in the Chinese export trade for textile raw materials. China have long been solid such as cotton yarn and fabrics, business, already worth HK\$224m 10 years ago and last year. Here, too, the Chinese more than HK\$1bn last year, authorities brought in measures, but the result of the new roller.

export industry, set up with foreign investment and high-

technology provided from abroad. Preferential

sympathetic because of the slump in their own business, made representations to the authorities.

The experimental farming scheme had become so fruitful that the farmers were branching out to the export of quotaexcess produce from the tors, personal computers and motor-cycles, with the result that they are running big deficits on trade. The suggestion



Air cargo forms an impor-tant part of the colony's

It is puzzling to Hong Kong observers how the zones can continue to finance major infrastructure projects such as local authority buildings, roads, and water and drainage systems, given that their export business to date seems less than impressive. The conclusion in Hong Kong is that they are receiving sizeable funds from elsewhere

While there is no doubt as yet that China's aim remains to develop exports with local manufacture, it appears increasingly to experts in Hong Kong that these zones are, at least for the time being, becoming trading places with the involve-

Ancestral loyalties feed China

LAST YEAR, Mr Li Yu and his wife packed their bags, sold their home in Hong Kong, and moved over the border to Shenzhen. Home is now the top floor of the stark new building of his company, Bright Sun Printing Press.

"It was a way of contributing to the four modernisations," he said. "In the short term it has not been beneficial to profits, but in the long term it will be advantageous—partly because I have recruited one thind of the work. cruited one third of the work force from Hong Kong." Mr Li is one of thousands

Mr Li is one of thousands of overseas Chinese, most from Hong Kong, who have ploughed capital into ventures in China, since 1978.

Alongside donations to build up China's infrastructure, and the family remittances which have continued for decades, they are playing a formidable part in fueling China's modernisation.

Hundreds of groups of com-panies or charitable founda-tions linking businessmen in Hong Kong with their ancestral villages operate un-seen. The Luhaltong Corpora-tion for instance channels tion, for instance, channels funds into Xinhui County in the Pearl River delta, while the Taishan Chamber of Com-merce in Hong Kong injects funds into Taishan, near Xinbui.

In the rural township of Magong, south of Guangzhon (Canton), in mainland China,

' Hong Kong plays a unique role in assisting the motherland in publicising and pursuing its policy of openness. It can serve the motherland in obtaining the economic information of the world and absorbing the experiences of management, capital, technology and professionals.'

Xu Jaitun, Director of New C hina News Agency, Hong Kong

walls in the main street are bedecked in posters detailing donations from families overseas. Magong has no more than 3,000 households, but the poster lists are much longer.

In nearby Shunde County, officials say donations from Hong Kong amounting to HK\$150m have met one-tenth of the total infrastructure investment over the past year. In Foshan, the fast-growing industrial satellite of Canton, officials say that 70,000 jobs-one-third of the total-depend on ventures involving "eco-nomic co-operation" with patriots overseas, again mainly in Hong Kong.

Even in Anhui Province, almost 1,000 miles north of Hong Kong and deep in China's interior, seven out of the 10 joint-equity ventures agreed last year were with Hong Kong partners.

In Shenzhen, neighbouring Hong Kong, where Mr Li has made his new home, Hong Kong investors account for an estimated 80 per cent of investments, totalling US\$800m.

Officials in Peking have recently estimated Hong Kong and Macao businessment have set up more than 700 equity ventures over the past five years—about 80 per cent of the number nationwide, and accounting for almost 60 per cent of the US\$1.4bn invested in the ventures. in the ventures.

All this evidence shows that China's modernisation drive would probably have been stillborn without the patriotic—and often uncommercial—economic stimulus from Hong Kong.

Mr Li, like many, was willing to take a risk He had

ing to take a risk. He had reached retirement age; his sons had settled in the U.S.; his printing company in Hong Kong was facing intense com-pelition when costs were rising: and investment in new, sophisticated machinery was needed.

Shenzhen was offering start-up incentives. In a 50:50 joint equity venture with the Shenzhen Petrochemical Engineering Corporation, HK\$25m has been invested. He has provided advanced machinery, skilled workers and technological know-how. His partners have built the plant, provided local workers, and cover local currency investment costs.

investment costs.

The target is for an annual turnover of Hk834m a year, generating profits of more than Hk87m, with 60 per cent of the books printed being exported using marketing links Mr Li has built over a lifetime. He is not allowed to market or distribute inside China, but expects domestic orders to account for 40

side Unita, but expects nom-estic orders to account for 40 per cent of output.

He has had his share of headaches, Electricity sup-plies are erratic—as every-where in Guangdong pro-vince, Most frustrating in a venture that degrands bearing. venture that depends heavily for its export success on overseas marketing, a telex has still to be installed, and direct-dial telephone calls reach only Hong Kong, "We have had some diffi-culties in achieving our pro-duction tarnets." Mr. 11 save

duction targets," Mr Li says,
"But in the future, when
local workers are more
skilled, we will be much more

competitive."

The message is probably echoed by the thousands of other Hong Kong businessmen who are weaning mainland joint ventures out of their infancy.

David Dodwell

Fast-emerging traders keep their secrets

Enterprises

prises being set up in Hong and transport, on both sides of Kong operate is far from clear: the frontier, to the obtaining of

ever, by the dozen.

The Hong Kong General
Chamber of Commerce has compiled an official list of about 100 and believes on a reading of 100 and believes on a reading of advertisements and notices in the local Chinese press, that more than 40 others have been formed in the last three months. Even the New Chinese News Agency, which has long been China's unofficial but effective diplomatic presence in the

diplomatic presence in the territory, has not been able to compile a consolidated list. Things are happening too fast. Many smaller companies are being established, too, by Hong Kong people — probably with strong, and possibly influential, family connections on the mainland — in the hope of getting part of the action in the boom-

ing two-way trade.
The trend is hardly surprising, given the amount of trade passing through China's newly-opened door, Hong Kong's lack of restriction on foreign investment and the freedom it offers to form a company for a HK\$125 registration fee and with almost no questions asked. Mainland-sponsored enterprises shun publicity at this stage. They are unsure, firstly,

how far good Communists can go in operating as capitalists under China's new so-called "responsibility system." Under this, after certain stipulated commitments to the state have been fulfilled, normal business ran be transacted to ensure company self-sufficiency and possibly profit.

They are also uncertain through lack of commercial experience and of close contact with foreign businessmen, how to conduct business in freewheeling Hong Kong. The Chinese concept of "face" is certainly involved. Nevertheless, the lack of in-formation surrounding the new

tions in rumour-rife Hong Kong that they are "infiltrating" Hong Kong's commercial life ahead of the territory's reversion to Chinese sovereignty in 1997, though this is being discounted by business organisa-tions and government officials. Most of the larger enterprises established over the past couple

of years are tied to either mainland provinces or one of the new special economic zones. new special economic zones. Their executives, along with the majority are still civil servants from these areas. The main thrust of their business is industrial materials, at the best quality and the best price for,

After receiving requests from:

discourage unsolicited approaches from potential sup-

pliers. In addition to their main trading functions, which include handling export and import of consumer goods, they offer consultative and other services ranging from how to organise new mainland trading enter banking, cargo documentation prises being set up in Hong and transport on both sides of they are being established, how- visas. Most have staff who speak There is obvious potential for

has these new enterprises to operate about as agents for foreign companies. but this type of business does not appear actively sought.

However, the way in which
the companies are financed, operate in detail, apply charges or take profits remains a mystery. Even the Hong Kong

authorities are in the dark in spite of efforts to find out.
"They don't explain their operations fully even to their Hong Kong personnel," says one

Materials

Some idea can be gained, however, from the example of Shum Yip Holdings, which agreed to an interview on the recommendation of a leading Chinese newspaper editor and after the intercession of the Hong Kong General Chamber of Commerce.

Shum Yip, which set up about 18 months ago to represent the Shenzhen special economic zone, resides in smart offices in Kowloon's Tsim Sha Tsui East district. Its main business is to obtain for Shenzhen such things obtain for Shenzhen such things as construction materials, chemical products, computers, cars and motorcycles. Its turnover for 1984, in terms of the value of imports to Shenzhen, was between HK\$600m and HK\$700m

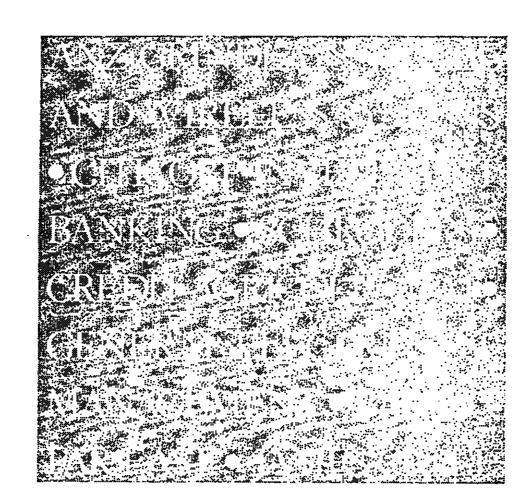
HK\$700m. Shum Yip claims business is south yip claims business is good and improving. While the company would not discuss "profits," it says it operates within the new responsibility system — unsubsidised and self-sufficient. This includes pay-ment of operating costs, includ-ing salaries.

ing salaries.
Competition from the other new trading companies—there are 10 connected with Shenzhen alone — is not a problem, the company says, because there is plenty of business. Its main problem was being a newcomer lacking experience in dealing

with foreign companies. Shum Yip is increasingly dealing in consumer goods, but in-dustrial products remain in the majority. Because of its good communications and the know-how it had acquired by being established in Hong Kong, the company was receiving an infrom further into the mainland interior where interest was being shown in imports. There were still problems of foreign exchange, however, and difficulties in obtaining the necessary

import licences. Shum Yip recently gave considerable assistance to another Shenzhen company for the imorganisations in the areas they port of cars in return for pay-

* Hong Kong General Cham the mainland, they prefer to ber of Commerce, United make their own contacts for possible orders, but they do way, Hong Kong, GPO Box 852.



BIG NAMES IN THE SQUA

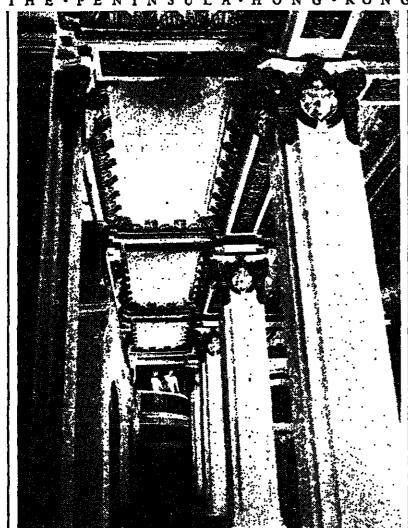
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A game with Chinese rules

counterparts are ruthless but certain accepted procedures are observed. It seems to be a means of controlling the chaos.

In the real world of Hong
Kong, China Rules govern the
pace and pattern of the game.
No-one has a copy of these
rules, but everyone knows how

to play. In 1898, Li Hong Chang, a of the leading luminary of the decrepit Manchu empire, put his name to the so-called Unequal Treaties by which China signed away a number of its ports and surrounding areas to the European powers.

areas to the European powers. Britain got Kowloon.

The 19th century had been one long humiliation for China, but the unequal treaties seemed to sum it up. Nothing has been forgotten. Deng Xaoping, the current Chinese leader, has said he is not going to go down in history as a second Li, and the evolution of China Rules has been his means of ensuring Hong Kong proceeds in one direction only.

In practice this means the

In practice this means the Sino-British agreement is essentially a Chinese document to which Britain has given its

acquiesence.
One commentator, aware of the extent of the pressure applied by China, said: "The population of Hong Kong should not know of the skulduggery that went on during the negotiations. Cabinet papers in London will keep this hidden for 30 years, and that's no bad

Britain does not feel angry about this. It recognises the reality of the situation and feels it has done what it can to secure a decent future for the

people of Hong Kong.

"It should be remembered that the link with Britain is already extremely tenuous." the same commentator said. Hong Kong has virtual

autonomy.

"On paper, we are a colonial dictatorship of the worst kind. But the system doesn't work like that. By custom and convention, the people who matter have their say."

tion even before the Cultural Revolution of the 1960s. But it was the Maoist riots in the should know on which side colony which demonstrated their bread is buttered. that the writing was on the On the key issue of local been able to provide any wall for British rule. From democracy Mr Ji is less forth- guarantee of success.

CONTRARY to belief outside

Hong Kong, there is no mass

exodus from the territory in the wake of the agreement between

Britain and China for transfer

Nearly every resident would prefer the Governor and the Gurkhas to remain in the best

of possible worlds. But the Chinese are realists—in Hong

Hong Kong is not just a con-venient base, but also home for

a population rapidly approaching 5.5m Local Chinese can-

not see why they should leave merely because of an untoward

Many of them, or their parents, had to leave previous homes as the Communists took

over on the mainland. Now

there is no obvious bolthole to

which they can flee.
They have built a vigorous

society, a world economic and financial power, and they hope that China will take them as an asset instead of seeking to

reduce them to penury again.

The entire colony was littery during the early days of the Sino-British negotiations in 1983. Hundreds of thousands

of inquiries were made to the U.S., Australia, Canada and the

UK about the possibilities of a second flight into exile. The talks took a turn for the

better, and so did the people's

perate refuge is now a minority passion. Most are reconciled to the reality of power, and

those who are not are for the most part bent on a final 10

turn of the wheel of fortune.

of sovereignty.

Kong and Peking.

IN JOHN le Carre's spy novels then, everything significant had to receive Peking's assent. The War play by "Moscow Rules." Smiley's People and their Soviet over by mainland forces. over by mainland forces.

If Britain and Hong Kong were careful to prevent this

so was China: Hong Kong was too valuable. But the threat was there, bringing with it a Chinese authority to reshape much thinking over the next 20 years.

Today, China has its own surrogate embassy in Hong Kong—the Xinhua News Agency —and power in the territory is in some respects a three-way split between Government House, the agency and the ubiquitous Jockey Club, home of big business.

Britain is not yet toothless: it has 150 years of experience in Hong Kong, and without its benevolent administration the territory would be a different place.

Sino-British Relations

WALTER ELLIS

China is willing to learn as well as force the pace. Nor are the local Chinese mere puppets. Without their entrepreneurial genius, the takeover in 1997 would be a nationalist affair, of no economic consequence.

foreign affairs at the Xinhua News Agency (the pretence of being a Chinese version of Reuters is paper-thin), makes a relaxed case in favour of a smooth transition to Chinese

Hong Kong's situation is becoming better," he says. From the political point of view, most Hong Kong people, as well as many foreigners, have made up their minds to stay here. "The Hong Kong Govern-ment, even before the declaration, had been thinking about new structures. Britain also things to proceed smoothly."

Some might imagine that China would wish to begin mas-sive recruitment into the Com-Ching was slotted into this munist Party. But Mr Ji is more delicate network of administraconcerned that local Chinese moving up through the ranks of business and administration

Emigration

WALTER ELLIS -

the poor and destitute of Hong Kong's early post-war arrivals

was a generous sprinkling of

the 1950s and 1960s would have

suffer but its usefulness to China would greatly diminish.

been much less likely.

Realism sets in

There will be departures, crash, however, and most worrying Pek for the future financial well-being of Hong Kong is that empire Peking may not allow this, however. China's property empire in Hong Kong is con-siderable, and the experts in most who leave will be those who can afford it. A diaspora
of the privileged is in prospect.
Hong Kong is largely composed of immigrants. Traditionally, immigrants are among Shanghai and Guangzhou may be ready to step in to take over from anyone nervous enough to leave. Equilibrium and confidence are everything for China the best of their peoples—with the courage and the will to get out and build better lives. if Hong Kong is to become the jewel in its crown.

Proven facts are few and far between, The U.S., Canada and Australia, in particular, were bombarded in 1983 and 1984 with immigration applications from Hong Kong Chinese. But a few hundred thousand

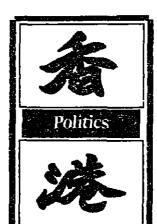
There is also a hard core of the wealthy and the educated in immigrant groups. Mixed with great bulk of the population merely looked on and fretted. If they were to go, it would be the traditional way, by sea and doctors, scientists, entrepre-neurs and bankers. Without status as their only claim to them the economic miracle of assistance.

A majority of those who applied to leave went through If the elite of today decided the first stages only. Inertia, to take the money and run in and anxiety about the outside 1997, not only will Hong Kong world. prevented most from

continuing. In recent years, more Hong Some flight of capital has Kong Chinese than usual have already taken place, and there gone to work abroad. Many are signs that the smart money have stayed long enough to these days is concentrating on establish residence qualifications and then come back. But Hong Kong is in for another they like Hong Kong, the place boom lasting for at least three they have built out of nothing, or four years as uncertainties and they do not relish exchan-over 1997 disappear and the ging this solid achievement for

colony settles for one more round of expansion.

Come the late 1980s the rich may begin selling out, leading to uncertainty and then to a the devil you know.



How the Joint Liaison Group, the Basic Law Committee and the Land Commission carry out their duties is vital for the maintenance of confidence in the future of the territory

coming. China is unsure about allowing free elections and a multiplicity of parties to become too rooted. It is one thing for people to have their say at district level without the discipline of the party, but quite another for the government to be one for the government to be con-trolled by groups who come and go at the whim of the people.

"At the beginning of March we had the district elections," says Mr Ji. "Many people were able to cast their votes. We have not made public comment on the democratic principle. We must wait and see.

"Will it be good for the stability and prosperity of Hong Kong or otherwise?"

September will be the next test of China's nerve. The elections then to the Legislaelections then to the Legisla-tive Council (until now an appointed body) will be indirect, with votes confined to district councillors in an electoral college, and members of so-called functional con-stituencies. Lawyers, teachers, industrialists, academics, trade union leaders and others will be expressing a free choice about the makeup of the body that frames Hong Kong's laws.

But more than half the eligible local Chinese did not register for the elections, displaying an indifference to local government engendered by generations of colonial rule.

Even so, if the new council turns out to be in some way unfriendly to China, the omens for future free elections will not be good. Peking does not want slavish followers, but it does want its capitalist fellow countrymen to be aware of the realities of power.

In 1987, the Government and China will conduct thorough reviews of how the democratic process has developed. Britain believes it has done well by Hong Kong, removing the absolute threat of disaster 12 years down the line. But it has not

The search for common ground

THE Sino-British Agreement on the future of Hong Kong estab-lished three bodies destined to have a profound effect on the character and administration of the territory after 1997.

 The Joint Liaison Group, made up of representatives from China and Britain, aims to ensure a smooth transition of

The Basic Law Committee is charged with the drafting of a local constitution.

The Land Commission, is invested with powers over the future ownership of Hong Kong's most valuable commodifications.

dity, the land itself.
Argument over the composition and authority of the three has overshadowed the "politinas overshadowed the "political" debate. Hong Kong is not used to politics, but it recognises power when it sees it and associates it with appointed institutions. Thus, while there is no rush to join the various "societies" that seem destined to grow into political parties. to grow into political parties over the next year or so, there

has been intense local interest in the Big Three new bodies. Peking is equally aware of the significance of the groups it helped establish. It sees it helped establish. It sees them as the main instruments which will take Hong Kong out of its colonial status and into its future as a special administrative region of China. Thus, Peking was guarded about their composition and, in the case of the key Joint Liaison Group, angered local opinion by insisting on the letter of the law in relation to who was eligible.

Any belief by the indigenous

Any belief by the indigenous population that Hong Kong is a third party in decision-making has been strained to accept taking Hong Kong as anything other than a constituent part of the nation, accepting this only because of economic advantage. It will not be told, however, that Hong Kong, as a nest of dissidents, can dictate the form

When the Hong Kong lobby began pressing for representa-tives on the Joint Liaison Group, China refused.

However, Mr Eric Ho, the Hong Kong secretary for Trade and Industry and one of the most prominent Chinese in the territory, was then granted British citizenship. He was thus acceptable to Peking and joined the "British" team.

He will be fighting for his local compatriots, and the Chinese know this. But face has

been saved.
The Joint Liaison Group will operate close to the heart of Hong Kong government. It is expected to remain until the year 2000, shaping and reshaping institutions and moulding Hong Kong into the form in which it will survive until at least 2007.

least 2047. The Basic Law Drafting Committee is an even more crucial body. Chinese law derives from thousands of years of tradition adapted to Marxist Leninism. Hong Kong takes English com-mon law as its root. The two

are scarcely compatible.

Hong Kong is anxious that it should not be dragged into support of an alien system. But it is concerned that even if the laws are left largely alone, inter-pretation by mainland judges will gradually alter their character. What is not done directly could be accomplished by

stealth. Mr T. L. Tsim, of the Chinese university of Hong Kong, is one of the leading political pessimists in the colony. He says anarchy is endemic in China and that Hong Kong will be

drawn into a vortex of ferror and retribution by political masters in Peking who have yet to come to power. He plans to leave for America

and urges others to follow. He is scathing of the Basic Law Committee. "The major issue is who will

have the final jurisdiction," he says. "If the basic law is seen to conflict with the Chinese Constitution then the Chinese will say Chinese law must

"If that happens, we are finished. We would be re-absorbed into Chiorse culture. Capital punishment would return, along with heavy penal-ties affecting, say, pornography 'indiscipline

It is inevitable that Chinese

return. But Mr Ji Shaoriang, a top official of the Xinhua News Agency (Peking's unofficial embassy in Hong Kong), insists that China will respect the letter and the spirit of the 1997 agreement. This will apply as much to the law as to anything else,

Reforms WALTER ELLIS

"I do not think that the Hong Kong people can integrate into mainland China. Their way of life is too different," he says. "It is not our intention to influence the Hong Kong way of life. They can maintain their way of life, their social system and customs."

To show its intentions China has permitted inclusion of 23 local Chinese among the 59 members of the Basic Law Drafting Committee. These include Sir Y. K. Pao, the shipping magnate, Miss Maria Tam, the molitical leader and the president of the Buddhist

Association. The Land Commission has the problem that different systems operate on Hong Kong Island, which was intended to remain British in perpetuity, and in the New Territories, which are leasehold.

Leases in the rapidly-developneases in the rapidly-develop-ing New Territories have been getting shorter and shorter as 1997 approaches, leading to instability. On the island, holders of long leases are wondering to what extent their ownership will be respected by

Peking.

China does not approve of private land and property ownership, while Hong Kong

Mr John Todd, Director of Lands, returned recently from Peking "well satisfied" with assurances. The Land Commission has since been appointed, with three members from each side, and one Hong Kong Chinese included on the "British" team,

One of its first acts will be to decide the basis of future land auctions. Sales of government land have been suspended until the autumn pending an understanding.

How the three appointed bodies carry out their work is of vital importance for the maintenance of confidence within Hong Kong. China appears to accept this and has fulfilled its side of the bargain. The territory's people must hope that Mr Tsim is wrong and that Peking's word is its

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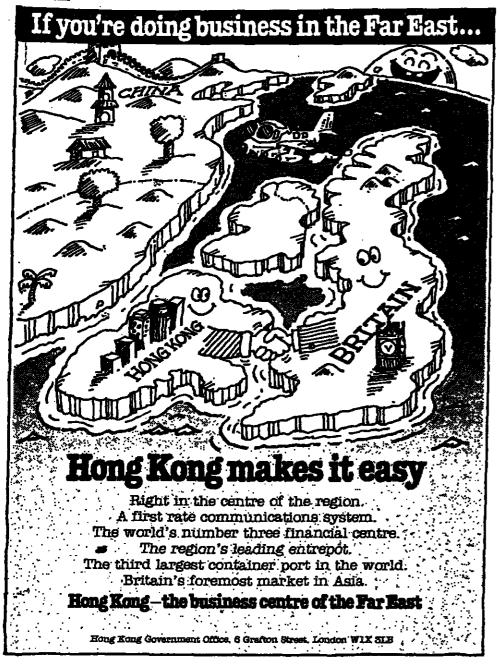
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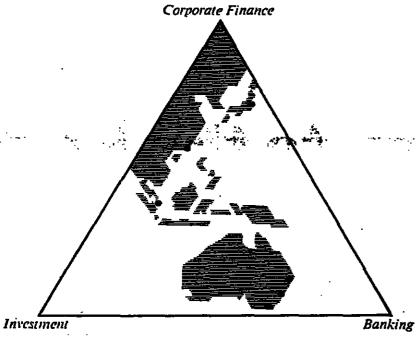
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Why 1986 will be a busy year

Stock Market MARY ANN SIEGHART

Kong's stock market index the Hang Seng, has more than doubled, despite the odd blip caused by disasters like the collapse of the Overseas Trust

Restoration of calm after Sino-British agreement over the though the main reason may be the stirrings inside China.

"Confidence is at the root of everything," says Mr D. K. Patel, Hongkong Bank's manager of economic research. "This confidence is not just a hubble. There are very good grounds for it, and I don't just mean the signing of a piece of paper between Britain and

"The major source is the radical change in China's economic policy and the business opportunities that have come to Hong Kong as a result."

Five years ago China was Hong Kong's 38th largest trading partner. It had risen to fourth place early last year, climbed to second by the year end and was top by the begin-ning of 1985. Part of the reason for the precipitous rise has been the slowdown in the U.S. economy. Exports to China have helped to offset the U.S. short-

Last year the stock market failed dismally to reflect Hong Kong's real rate of growth of more than 9 per cent. Political uncertainty cast a pall over investment. Foreigners, and even locals, withdrew their money and the Hang Seng reached a low of 746 in the late

Confidence returns

Then the Sino-British agreement was signed and political confidence gradually returned. The agreement contained a lot more detail than expected, and the economic liberalisation in that the Chinese were prepared to abide by their promise to respect the financial system. Initially there was probably more interest from abroad than from domestic investors. To

foreigners the fundamentals looked good, and if an invest-ment manager wanted a link to China—potentially the world's largest market—Hong Kong appeared the best place to go. "They all want the China ection." explains Mr Tim-

if they might have seen their best, Hong Kong seemed as if it still had a long way to go. At the beginning of this year domestic investment started to pick up, helped by a firming of property prices. Property shares make up more than half of the Hang Seng's capitalisation, and until the first quarter

of this year property prices had remained stubbornly low. Since then the recovery has been patchy, with some areas still suffering from an oversumply, but property companies; earnings and asset values should rise after dismal performances in the past three years. They

growth of about 20 per cent this year, the market stands on an average price-earnings multiple of 12 to 13 times 1985 earnings -still historically low compared with the astronomic multiples

"There is time for people to make another fortune here," Mr Fiducia says. Fiducia says.

There are still worries, underscored by the jitters that followed the collapse of Overseas Trust Bank. While the markets show few signs of the neuroses that dominated sentiment a year ago, upsets cannot be ruled out before 1997, and it

he ruled out before 1997, and it will be some time before market operators drop their guard.

There is also political change to contend with, let alone the threat of protectionism from the U.S. China cannot follow the liberalisation route so fast for ever. A "great step backwards" would give the Hong Kong stock market a major wobble, as would the death of China's Deng Xiaoping.

Foreign investors may also be put off by "cowboy" standards of behaviour sometimes apparent in the Hong Kong market. There are no legal sanctions against insider trading: the worst a culprit can face is public disapproval. Rules on disclosure are also more lax than in London or New York.

Mr Derek Murphy, deputy commissioner for securities, admits that he lacks power on takeovers. "One of the problems is that we have not had the resources, and the exchanges have not been vigorous enough at self-regula-

The aim is to tighten up rules on disclosure and the capital requirements of brokers. Plans are also under way for a unified stock exchange formed of the four existing ones.

"It's better to have competition between brokers than competition between exchanges which are offering the same service. It will be easier to supervise and monitor," Mr Murphy explains.

He will have a lot of supervision and monitoring because the brokers are not happy about the move and will do their best to get around its effects.

Their displeasure is seen by the time it has taken to open the exchange. Most things in Hong Kong are finished on schedule, unless the partici-pants are not keen for them

pants are not keen for them to happen. The unified exchange—now expected to open in 1988—is several years late.

"They are going to have to change the system within months of operation because it won't work," says Mr Alan Smith, managing director of Jardine Fleming in Hong Kong.

"We are all going to deal among ourselves, which will create less liquidity than the present system."

Mr Murphy admits that he does not know whether the system will work but he has no time for the rebels. Hong Kong office.

The Hong Kong stock market has also lagged behind the rest of the world. While the U.S. "If brokers flagrantly break and Japan looked last year as its they might have seen their banded."

1986 may be a busy year for



After the years of uncertainty, the 'China connection' has turned into a potent force to strengthen the territory's position as the world's third largest

financial centre

Wrangles over reforms

A NEW Hong Kong stock market and a revitalised futures exchange are due to get under way this year, capping a period of unprece-dented reform in financial markets. Both hope their new structures will attract enough foreign interest to rank them with the world's major

It has taken the Government many years to bring the Rong Rong, Far East, Kam Ngan and Rowloon stock exchanges together into one Unified Stock Exchange (USE). Even now, the process is not complete. the process is not complete. There are still wrangles, for example, about how the USE's compensation fund will operate. Technicians from Jardine Logica are, however, installing

the computer system into the USE's trading floor, at the foot of the Central district water-front's latest imposing addi-tion, Exchange Centre. Installa-tion of the system and the training of broking staff are due to be completed for a December start-up, with official opening cautio scheduled for February March 1986. aber start-up, with the

The USE's trading system is designed to make use of technology while maintaining tradi-tional face-to-face contact on the trading floor. There will the trading floor. There will still be a price board on the market floor, but contacts between brokers and price quotes will be aided by the computer. This will link brokers by telephone and record each deal done in market hours. After-market trades will be unaggeted.

trades will be unaffected. Membership arrange Membership arrangements have been restructured, and for the first time, corporate memberships will be allowed. Individual memberships will continue, but partnerships will not be members—though corporate members will be able to form partnerships with indi-viduals and non-members.

growing in importance. Banks' increasing interest was seen by the purchase of local stockbanks closer to

Directors of banks and for small companies to obtain deposit-taking companies will listings, has done nothing to be able to be stockbrokers. But end a dearth of new issues banks which own stockbroking firms must keep premises separate so the banks are not separate so the banks are not able to develop substantial stock trading networks fbrough their branches away from the exchange floor. Banks may have to pay a premium for USE manuscrabin.

membership.
Though the Hong Kong stock market has traditionally swing violently on the whims and fears of local small investors, it is now becoming increasingly institutional. Some 135 unit trusts, controlling £10bn of invested funds, were authorised to deal in Hong Kong as of April. Of this, 59 were based in the colony.

Financial Markets

ALEXANDER NICOLL

cange instead of four, the pro-cess of institutionalisation is expected to continue. There remains, however, the hang-over of the Eida and Carrian collapses, official reports on which have still to be pub-lished and perhaps contain a few more shocks. few more shocks. To deal with that caution

and to speed the creation of a truly international market, the

regulations.
It is particularly concerned viduals acting together. There are many much holdings held by interlocking families, and the commission sins to move In Hong Kong, as in London's towards requiring disclosure in City revolution, the ownership phased stages. There could of brokers by banks has been also be changes to the takeover which has lasted since before the China/UK agreement on the colony's future

Down the road at Hutchison House, the Hong Kong Futures Exchange is patiently awaiting futures trading legislation, expected to be passed in July, which it hopes will clear the way for its emergence as an important link in any day.

way for its emergence as an important link in round-the-world exchange business.

The HKFE was born in 1977 as the Hong Rong Commodities Exchange, but never attracted much interest in its original cotton and sugar futures contracts. It also added gold, but only soyabeans have been able to obtain anything like respect. to obtain anything like respect-able volume. Werse, it has been logged by the failure of a large number of member firms.

Now under the energetic leadership of Mr Kim Cham, aged 39, the re-named HKFE is attempting a resurrection with

These, it is hoped, will attract not only local investors who have shown a singular lack of interest, but also international players on futures markets. Rivalry with the Singapore International Monetary | Exchange (SIMEX) is inte

be a future's contract based on the key Rang Seng stock market index, which is industriously volatile and should thus suit the purpose well. The HKFE's public profile could be first time the Hang Seng Index will be calculated from minute to minute instead of only a few times a day. The HKFE will times a day. The HKFE will transmit the index to the USE. own contracts.

Gold coin, currency, interest rate and freight rate futures are on the HKFE's agenda, as well as new commodity contracts in

members, and will admit banks members, and win admit being and deposit-taking companies and deposit-taking companies when the new legislation is passed. To be successfully reducts may be lifted to launched, however, it will have the purchase of local stockbroker John Watson by the
UK's County Bank, National
Westminster's merchant banking arm. The USE will bring with international markets. A
banks closer to the stock

and deposit-taking companies
when the new legislation is
passed. To be successfully relaunched, however, it will have
bring Hong Kong more in line
to persuade participants that its
strengthened surveillance and
compensation fund arrange-

Plugging the loopholes

Domestic Banking

MARY ANN STEGHART

in the past three years.
will be helped by much lower interest rates and by the writing block above a McDonald's restaurant, a tailor and a sunoffice of Hong Kong's Commis-sioner for Banking. For Mr Richard Farrant, seconded from the Bank of England at the invitation of the Hong Kong Government to advise on banking supervision, the contrast with Threadneedle Street must

be stark.

It is not just the working conditions that differ. In Hong Rong's latest banking scandal, the collapse of the Overseas Trust Bank, directors of the bank were caught trying to leave the territory with U.S.\$1.5m in a suitcase together with diamonds and securities. Mr Farrant and his colleagues were left to clear up the mess.
On the Thursday the collapse was announced, all 44 branches of the bank were closed. The following day the Government confirmed it would take over OTB, and borrowed senior managerial staff from the Hongkong & Shanghai Bank to run it. By the Monday OTB was running again.
This says a lot for the ability of the Banking Commission to react speedily to crises. But the questions arise how such a collapse was allowed to were left to clear up the mess

But the questions arise how such a collapse was allowed to happen, whether the commissioner's powers are stringent enough, and to what extent this sort of scandal will have knock-on effects and deterforeigners from investing.

The Government and the commission say OTB's problems arose through fraud rather than liquidity or solvency problems.

liquidity or solvency problems.
"New laws would not have helped," Mr Farrant says. "It is extremely difficult to spot these things when a management is determined to hide

Nonetheless, the saga claims that more regulation and supervision are needed in what is one of the freest inter-national banking markets in the world.

That is not disputed by most

of the Hong Kong banking community. Months before the OTB collapse the commissioner set out proposals for tougher regulatory powers. These would include minimum liquidity and capital ratios, more frequent audits and supervision over and its and supervision over highly competitive market. But management. Also under discussion, prompted by OTB's problems, is deposit insurance.

The commission has some available to the foreigners. Some bankers fear the degree of discretion allowed to the supervision over the supe management. Also under dis-cussion, prompted by O'TB's problems, is deposit insurance. The commission has some

the position where we can interpret the spirit rather than the letter of the law." Mr Farrant says. But he is aware of the problems of over-

regulation. "Hong Kong is a wheeler-dealing city, which gives it great strengths, but also makes it very vulnerable. We don't want to spoil the advantages." want to spoil the advantages of the speed of response and we know that the foreign banks come to Hong Kong because of its freedom from regulation."

Discretion

Minimum financial ratios for the banks are proposed—in the case of capital ratios, probably 5 per cent—but the Commis-sioner would have discretion to insist that the ratio for one bank is raised to, say, 8 per cent. Directors falling to comply would be committing a criminal offence and could have their banking licence with

drawn.
Banks would also be required information

Overseas Japanese branches particularly tend to be under-capitalised. But Mr Farrant thinks this should be telerated providing the parent says it will stand behind its subsidiary and that the branch is not taking deposits from Hong Kong.

year, designed to make it easier

Domestic banks complain that the foreign banks will therefore be able to gear up further in what is already a

the Commissioner, Mr Alan Smith, managing director of Smith, managing director of Jardine Fleming, says Mr Robert Fell, the current commissioner, has been "sound, not doctrinaire, and not taken in by powerful figures in the community. So I am confident if we give him discretion.

"But what happens with the next commissioner? If he is as good, that's fine, but it would be hard to take discretionary powers back if he is not."

With the "follarse of CTB

With the collapse of OTB,

with the collapse of UIB, many politicians are talking of setting up a deposit insurance scheme along the lines of the U.S. or the U.K. In both the recent bank disasters, the Hong Kozig Government has had to stand behind the banks to safegiard depositors' money. In the case of OTB that meant In the case of OTB that meant dipping into its exchange fund to the tune of HK\$ 2bn.

An insurance scheme would

the Jargest premiums,
Mr Peter Wrangham, general
manager of Hongkong Bank,
thought to have nearly half the
deposits in the territory, points
out: "We realise the need to "The standard of managethan is none too hot." Mrems. Farrant says.

ave Most bankers agree that "It capital ratios are necessary, but though liquidity ratios can be fudged. The problems arise in the deciding which banks need which ratios and whether Hong is Kong branches of well-capitalised foreign banks need to comply.

"It capital ratios are necessary, but though liquidity ratios can be when is a good risk does not like paying insurance riskier people."

"It capital ratios are necessary, but though liquidity ratios can be when it is a good risk does not like paying insurance riskier people."

its riskiness—may be more logical but is political dynamite. "Who, after all, should be allowed to determine how well-run a bank is?"

After OTB many depositors, After OTB many depositors, including foreign banks, are worried about the stability of other local banks. There has been a flight of quality. Hong Kong Bank and Standard Chartered—the two issuers of bank notes — have tried to ensure that no other local banks have had liquidity preblems because they could

Disclosure

Luckily, this crisis has hit the Hong Kong banking market while it has too much money. But with the meagre standards of disclosure for Hong Kong companies it is hard to find out whether a bank is sound.

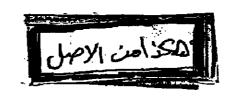
It is not as if their underlying business is healthy. Loan demand has been weak. The property companies are only just starting to think about development after the price collapse in 1982-83, and corporate liquidity is high because companies had a good. because companies had a year exporting to the U.S.

The only real demand is in personal mortgages, and here margins have been squeezed. Banks used to charge about 1; percentage points over the prime rate. Now the spread has fallen to between ‡ and 1 per cent and some banks are offering gimmicks to win mean, however, the biggest and best-capitalised banks paying

Cosmetically, the banks will probably have a better year in 1985 because they should be able to write back some of the huge provisions they took in earlier years after the property collapse. But that should not disguise the fact that there are still some local banks on the still some local banks on the commissioner's intensive care list which are only slowly being nursed back to health.

Foreign investors' confidence will not be boosted by the fact that, in Mr Wrangham's view:





Hong Kong 9

Worries over future already forgotten

THE WORLD'S third largest circulated proposals on how to financial centre is the title deal with it as part of their Hong Kong claims for itself — broader effort to strengthen and we betide anyone who says
otherwise. A senior Bank of
Japan official who suggested
that Tokyo might have edged
out the colony to rank behind
London and New York was
to the half weighting
siven a predictable reacting

Bank of England. given a predictable roasting.

With more than 100 foreign banks, and the power to move markets well beyond its tiny territory, Hong Kong is one of the main international banking centres by any standard. Even means that large banks from the U.S. Europe and Japan the recent uncertainty about its political future has had little

impact on its standing.
"The worry about 1997 is all

"The worry about 1997 is all over. Bankers have made up their mind to forget about it," the representative of a large U.S. bank said.

The decline of the international loan market, for which Hong Kong was the Far East centre, posed a greater threat. But Hong Kong seems to be making up for the loss of syndicated sovereign loan busisyndicated sovereign loan business in other ways.

Like Europe and the U.S., Hong Kong is witnessing the "securitisation" of the banking market: that is, the substitution of straight lending with pieces of paper that can be traded. "Everything that happens in Europe comes here after a bit of a lag," an American banker

Tradeable loan participations, floating rate notes, and note issuance facilities (NIFs) have all put in an appearance, though for local tax reasons they may not always match their Euro-

market equivalents.

Hong Kong claims to have invented the NIF in 1978 with a \$500m deal assembled by Citibank for New Zealand, but the trend took several years to

Bankers complain, however, that Asian corporate treasurers are slow to adopt new techniques. But there is also a large potential market in persuading creditworthy countries in the region to refinance syndicated not the sole foreign bank to loans with new-fangled instru-suffer. Barclays Bank wrote off

ments at lower cost.
Indonesia has done a \$400m
NIF, while Malaysia and
Thailand seem likely candidates.
The Hong Kong authoriteis are concerned about the fast growth of contingent business represented by NIFs. They have

suffer. Barclays Bank wrote off \$66m of bad loans last year, mostly property-related. The recent crisis of the Overseas Trust Bank, and the Hang Ling Bank rote of the opening Bank are concerned about the fast growth of contingent business represented by NIFs. They have

But in the eight years since Peking introduced its policy of

opening up to the outside world, their role has been transformed — with important

consequences for the territory's banking industry.

Since 1979 the sister banks have become an organised banking force that is now second only to the Hongkong & Shanghai Banking Corporation. They account for about 270 branches — a dozen or so less than the Hongkong Bank

—and operate about 400 auto-matic teller machines, again on

a par with the Hongkong Bank

They have won a significant share of Hong Kong's retail business — particularly among the more patriotic working classes. They account for

deposits estimated at HK\$60bn
— about 15 per cent of the
territory's total.

Yet little is known about the sister banks. Their dealings are done discreetly, hidden

from view by Hong Kong's "no questions asked" regulatory environment. They seldom collaborate with banks outside the Bank of China group. Few of their managers speak English, and most keep a low profile.

and most keep a low profile.

The banks in the group (in Chinese the Zhongying Jituan) were, up to 1949, the Hong Kong branches of banks incorporated in different parts of the mainland. In the wake of the Communist revolution, all banks on the mainland were nationalised and absorbed into the People's Bank, China's central bank.

Even today only four of the sister banks are incorporated in Hong Kong—the Nanyang Com-

mercial Bank, the Chiyu Banking Corporation, the Huachiao

Commercial Bank and the Posang Bank. The other eight

maintain the fiction of a head office in Peking, though this is in

most cases just a nameplate at the Bank of China's head-

With the overthrow of the

Gang of Four, and Deng Xinoping's ascent to power,

Peking's commitment to open-

gave the sister banks a new sig-

nificance. They were under pressure to garner foreign ex-

change for the country's modernisation, provide funding

for growing external trade, pro-

vide training for a new genera-

tion of Chinese bankers, and

most recently to help main-tain the stability and prosperity

years ago to set up the BoC's

Hong Kong and Macao regional office. Until then the sister

banks' operations were unco-

of Hong Kong up to 1997. The turning point was the arrival of Jlang Wengui five

Since 1979 the sister banks

They have proposed that contingent liabilities are given a full weighting for capital adequacy purposes, compared to the half weighting set by the

means that large banks from the U.S., Europe and Japan maintain active merchant bank-ing operations in Hong Kong.

International Banking DAVID LASCELLES

Some have also gone into the domestic securities business by domestic securities business by acquiring local stockbrokers. Citicorp bought Vickers da Costa, while National Westminster Bank took on Watsons and tied it in with County Asia Securities, its merchant bank local subsidiary.

The renewed strength of the Hong Kong stock market has given a boost to these alliances.

given a boost to these alliances, though foreign acquisitions of Hong Kong stockbroking interests have not always been successful. Paribas' and Merrill Lynch's suffered a disastrous tie-up with Sun Sung Kai. Dynamic though Hong Kong

is as a banking centre, many foreign bankers admit that life is tough—and not specially profitable. Apart from being badly over-banked, quality business is scarce. "It's very hard to find any-thing good to do, one UK banker

Property and shipping, two
of the colony's biggest industries demand the greatest caution. Bank Bumiputra of
Malaysia was the largest, but

Sisters in prosperity

DAVID DODWELL

As time passes divisions have

begun to blur. The banks use a common electronic clearing

system and are supervised in the same way. It has become more important to note which

are most strongly capitalised

and which more aggressive and

Three sister banks seem the The Nanyang Commercial Bank, which has led organisa-tion of international syndica-tions for loans inside China, and

credit cards and travellers'

The Sin Hua Trust Savings and Commerce Bank, which has developed strong links with U.S. banks and businesses.
The Kincheng Banking Corporation, which has strong Japanese links. It has set up

a merchant banking venture with Japan called Kincheng

Hong Kong's stability and prosperity has led the sister banks deep into the territory's

manufacturing sector. Many in-

The instruction to foster

innovative.

Nationale de Paris and Barclays have also retreated from the is intensely competitive and dominated by the strong local

Some U.S. banks, notably Citibank, have taken a big crack at the local deposit market with

Some success however.

Trade finance offers large opportunities and has become a staple for many banks. Foreign bankers are also cultivating large local companies. Utilities and enterprises owned by both the Hong Kong and Chinese governments for loan and fee - earning business. Barclays arranged a \$100m deal for the new Hong Kong mass transit authority on the U.S.

commerical paper market.

Midland Bank is concentrating on foreign exchange markets, and has begun to quote options. Bankers are also jockeying for position in the financing of the new cross-harbour turnel. harbour tunnel.

The big hope is that the opening up of China will yield the big bonanza everyone has been waiting for. Already China provides banks with a large chunk of business—mostly project for one for healt and project finance for hotels, and trade finance. But that is small and industrial projects that must come.

Meanwhile, banks are having to weigh up the benefits of opening branches in the new economic zones designated by Peking. The cost will be large —between \$250,000 and \$500,000 a year by most estimates—and the rewards hard to gauge. Most bankers fear that competitive pressure will force them in

pressure will force them in against their better judgment. The big strategic decisions that international banks will have to take will probably have less to do with 1997 than with the growing challenge to Hong Kong posed by Japan as it liberalises markets.

Hong Kong offers the greater and more varied opportunities for foreign banks. It also has back-up like lawyers and accountants. But many bankers believe Tokyo will eventually dominate the Far East financial time zone, and are already pre-

"You had better make sure you are in both markets," one U.S. banker said.

THE 12 "sister banks," which ordinated, and often at odds operate in Hong Kong under with each other. From 1981 property development, in ware-the umbrella of the Bank of they have answered directly to China were once regarded as a ramshackle array of left-overs from the 1949 revolution. But in the eight years since Centowned Banco Taifung. THE 12 "sister banks," which ordinated, and often at odds involvement has been clear in property development, in ware-house construction at Hong Kong's Kwai Chung container also answer to Mr Jiang, the terminal, and in funds for the Overs from the 1949 revolution. Nantong Bank, and the 50 per Mass Transit Railway Corporation.

There have been strict limits Sister banks are also supporton the amount any sister bank ing some of the consortiums can lend without reference to the Bank of China — HK\$20m bidding for the HK\$3bn contract to build a second crossharbour tunnel in Hong Kong.

for secured loans, and HK\$5m if unsecured. Banks like the Posang have retained their Less happily, they have found themselves suporting some of Hong Kong's lame ducks. These role as specialists in bullion trading while others have con-solidated traditional roles, such include Conic Investments, the electronics group that had to be rescued last year; China Cement the loss-making cement manufacturer; and Millies, the retail chain spanning Hong Kong and Shenzhen which went as financing Hong Kong's meat and vegetable imports from the bankrupt. **Bank of China**

They have been important conduits for overseas Chinese condults for overseas Chinese investments inside China, particularly in hotel construction and in the 14 open coastal cities. The Bank of China has allotted to each of the sister banks responsibility for channelling investment from Hong nelling investment from Hong Kong into particular open cities. They have at the same time taken steps to become more international. Zhang Xueyao. the Bank of China's new head, was until recently head of the bank's New York office. Some 20 finance companies have also emerged under the BoC umbrella, many increasingly active in merchant banking.

Apart from Sin Hua's links with the U.S. and Kincheng's with Japan, the Nanyang Commercial Bank has opened a branch in San Francisco and applied for a licence to open in Toronto. It has a full service branch in Shenzhen.

The Kwangtung Provincial Bank is applying for a branch operation in Shenzhen and claims to have an office in

Singapore. As well as loans for ventures in China or Hong Kong, they have become involved in pro-ject funding overseas. One for manufacturing sector. Many in- an Australian venture vestments are disguised but agreed early this year.

Sister Bank links with China's 14 open Coastal Cities

Bank of China Bank of Communications China and South Sea Bank

China State Bank Chivu Banking Corporation

National Commercial Bank Po Sang Bank Sin Hua Trust, Savings and Commercial Bank Yieu Yieh Commercial Bank Shanghal, Beihai Lianyungang, Nantong Qingdao, Yantai, Hainan Island Dalian, Hainan Island

Hua Chiao Commercial Bank Kincheng Banking Corporation Xiamen, Shanton Shenzhen, Shanghai Kwangtung Provincial Bank Zhanjiang, Guangzhou Dalian, Tianjin Nanyang Commercial Bank

Ningbo, Wenzhou Qindao, Yantai Tianjin, Fuzhou

MICHAEL SANDBERG



Taipan' set to retire

MR Michael Sandberg doe not look the most powerful man in Hong Kong. Yet of the three most important jobs in he territory—chairman of Hongkong and Shanghai Bank, chairman of the Jockey Club and Governor—he holds fae first two.

He may have missed out on the third, but he can console himself with a seat on the Executive Council, the Governor's cabinet.

Not is he any ordinary bank chairman. As a fellow banker points out, "The chairman of the Hongkong Bank has total and absolute

No shareholder is allowed to own more than I per cent of the shares of the bank. Even the board of directors is less powerful than many others. Since most of the members are selected from the ranks of the bank's biggest customers, they can exercise little supervision over the bank's business. If they were allowed to certain. they were allowed to scrutin-ise the books, they could gain valuable information on their

Mr Sandberg does not believe in committee manage-ment anyway: "We've never had committees—they take so long," he says.
As a result, Mr Sandberg

has little problem getting his decisions through. When he announced that the bank's new head office building would cost more than HK\$1bn many bank staff and shareholders were shocked. As the bank employees prepare to move in, cost overruns have pushed the total up to around HK\$5bn.

At least, he says, "It will be very efficient and cheap to run." Mr Sandberg seems to have

a reputation for expensive tastes in buildings. His house, called "Sky High," is up on the prestige Victoria Peak. Mr Sandberg has been chairman for eight years. He has built up a North American presence by buying Marine Midland Bank and was frustrated in his ambitions to move into Europe when the sion blocked his bid for the

Royal Bank of Scotland. He also presided over the biggest property collapse in the history of Hong Kong when the Carrian Group, to

which he was banker, went bust in 1982.

He joined the bank in 1949 straight out of an Indian cavalry regiment, attracted by the idea of staying in the East. He spent eight years in Singapore and four in Tokyo before moving back to Hong Kong. Now, at 58, 2s retirement

looms, he is planning to return to Britain. He has kept a house and a brood mare there and is relatively sanguine about the upheaval

of moving.

"I find myself getting mildly annoyed with Britain when I read about things like the miners' strike," he says. "But when I go back, I fall in love with it all over again."

Hong Kong is rife with

gossip about when he will retire and who will replace him. He did not deny the suggestion that he will step down once the new building is formally opened next April His successor seems likely

to be Mr Willie Purves, executive deputy chairman. Mr Sandberg does not rule out the possibility of the bank having a Chinese chairman daying day. man one day.

But he admits: "We have been criticised rightly for not

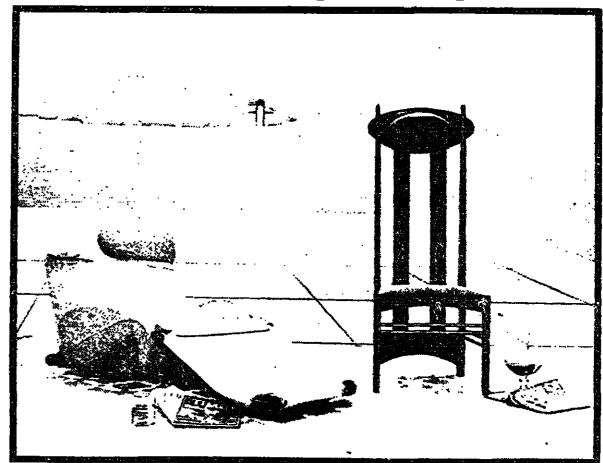
promoting Chinese executives quickly enough. We have been very slow. We are trying to amend that, but people have to move through the system." Having been "tai pan" (big boss) in Hong Kong for so long, it will be strange to retire to the UK. But he should have enough interests

to keep him busy.

He is a vice-president at the Oval, Surrey's cricket headquarters, and a member of the MCC, though he does not play cricket any more: "My enthusiasm was always greater than my ability." He collects fob watches and owns raceborses in both Hong

Kong and Britain.

But he is unlikely to make any money backing his horses. "I don't bet." he says. "I'm far too mean." Mary Ann Sieghart The bank that inspires Italy's most imaginative region



Cassina's 'Wink', the chair you dress, converses with 'Argyle', a design by Charles R. Mackintosh

The word Italian is synonymous with superb design. This is exemplified by Cassina the worldrenowned furniture manufacturers. They use top designers from Italy and many other countries and also produce some pieces based on the work of famous designers of the past.

Such is the attractiveness of Cassina furniture, especially in wood and upholstered furniture chairs, that they are in great demand in all parts of the world. Sixty percent of Cassina's output from their Lombardy factory is exported. Furniture based on Cassina designs is also manufactured under licence

all around the world. This thriving world-facing organisation is typical of the half million or so

large, medium and small companies of all industrial sectors that make Lombardy Italy's most thriving region, responsible for a quarter of Italy's entire GNP.

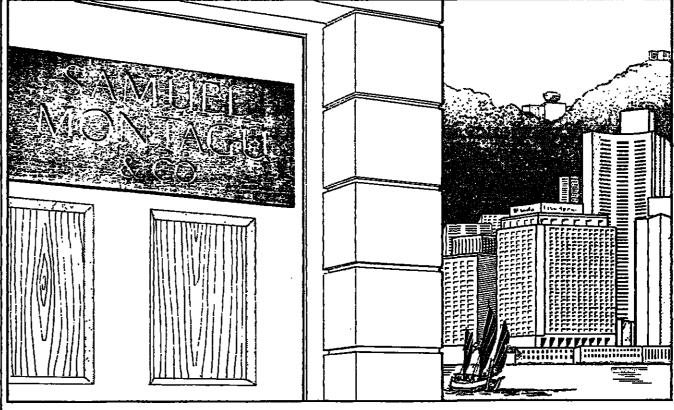
It is typical also of Cariplo, the bank behind the majority of these companies. It too is increasingly world-orientated and with assets of over US\$ 30 billion, ready and willing to co-operate with other international organisations on a world scale - and with Italian flair.

We now have a full service branch of Cariplo in London and representative offices in Brussels, Frankfurt, Hong Kong, New York and Paris. If you need to operate on this scale please call your nearest

office or contact us at our Head Office at Via Monte di Pietà 8, CASSA DI RISPARMIO DELLE PROVINCIE LOMBARDE 20121 Milan,

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Massive spending boosts services

Transport MICHAEL CASSELL

KEEPING 5.5M residents on the move in one of the most densely populated places on earth represents a daily challenge capable of testing to the limit Hong Kong's famous energy and ingenuity.

Most of the population live in an urban area of under 100 sq kilometres around one of the world's busiest harbours. Every day, more than 8m passenger journeys are made on a public transport system that includes the realway networks, buses. transport system that methods two railway networks, buses, trams, minibuses, taxies and ferries. Private cars, for those who can manage to afford and park them, add to the potential cocktail of chaos.

cocktail of chaos.

Hong Kong's travel problems have become as famous as its floating restaurants and its festivals, a part of the colourful pandemonium visitors are encouraged to expect. For residents, however, the daily reality of crushes and queues has for years been one of the less attractive aspects of life in the territory.

ritory's transporation system has a 38 km route.

Just about every element of the transportation system, from the Mass Transit Railway, to the roads on Hong Kong island, the buses which use them and the Kowloon-Canton railway have benefitted from heavy spending programmes. The Government, which runs none of the transport undertakings itself, is clearly encouraged by the recent improvement in ser-vices, though not yet content.

Mr Ian Macpherson, Secretary for Transport, sums up the situation: "The principal challenge is handling the vast numbers of people involved in a highly mobile workforce. No more than 10 per cent of the provided on the p population owns or has access

Mr Macpherson emphasises that decantation to the new towns has become an increas-ingly significant factor in Hong Kong's transport network. Although the new centres of population are seen as self-sufficient centres, job oppor-tunities have not kept up with population growth, so large numbers of residents still have to commute daily to work.

At the core of the territory's years been one of the less attractive aspects of life in the territory.

Recently, however, the picture has been changing and there is widespread evidence that the massive programme of capital expenditure aimed at extending and improving the territory's transport system is the Mass Transit Railway, which has now been operational for 10 years. This May, the new Island line opened to the public and when work on it is finally complete extending and improving the territory's transporation system has

The HK\$11bn island line is



300,000 passengers a day for the MTR system, now carrying the MIR system, now carrying around 1.2m people a day. The likely increase in passengers represents a fall from projections made when the Island Line was given approval in 1980, principally because of improvements in local bus services—made possible by reduced road congestion and larger passenger vehicles.

In its last annual report, the Mass Transit Railway Corpora-tion had to concede that increasing competition and resistance ing competition and resistance to MTR fare increases led to a small fall in the number of passengers carried in 1984—down by 1m to 411m.

There is also scome concern that the railway could be adversely hit by the construction of the second harbour crossing, if the new link is confined to a

if the new link is confined to a road tunnel only. Tenders are incorporated at the end of 1982 in for the project—the nine bids and still wholly owned by the

come from names like Kumagai Gumi and Hopewell Costain— and a decision is due by the end of the year. The tunnel, to cost HK \$1.8bn upwards, depending on the nature of the link, should be operational by 1988.

on the nature of the link, should be operational by 1988.
Overshadowing the MTR's short but impressive history are fears over its financial position. The corporation has become the largest borrower in Hong Kong. The corporation has raised HK S24.5bn for investment in the underground railway network and, at the end of 1984, total loans outstanding stood at HK \$17.75bn.

HK \$17.75bn.

Last year, the MRT Corporation recorded, after interest and finance charges, an operating loss of HK\$545m and it has given a warning that, because interest on loans raised to finance the Island Line has been mance the Island cane has been capitalised during construction and must now be charged to the profit and loss account, shareholders' funds are rapidly

drying up. Concern that the corporation's liabilities could even-tually exceed its assets have been forcefully expressed to the Government, its only shareholder, which is actively considering plans to improve the railway's financial health. The corporation is confident that the the position in respect of share-holders' funds will be rectified shortly. The

The MTR's above-ground counterpart, the Kowloon-Canton Railway Corporation. incorporated at the end of 1982

and modernisation programme. In 1984, losses fell back from HK\$154m to HK\$68m and debt outstanding to the Government was cut to the prescribed HK\$1bn. Mr Peter Quick.

expects a return on assets after its huge investment and that the railway "should be profitable within a few years."

The modernisation programme has quickly started to pay big dividends and the increase in traffic has taken the corporation itself but surprise Last year, the railway carried upwards of 250,000 passengers

managing director of the KCR, says the Government clearly

upwards of 250,000 passengers a day—five times more than in pre-electrification days—an improvement which reflects population growth, the attractions of the new service and growing traffic to and from China. The KCR expects the number of passengers carried by the system to reach 500,000 daily by the early 1990s.

The railway is now the major The railway is now the major

The railway is now the major carrier of people to and from China, with just over 13m people making the journey last year. In 1984, 17 per cent of the railway's total revenue was derived from freight traffic, the overwhelming proportion of it moving south across the border into Hong Kong.

The KCR is also deeply com-

mitted to the construction of a 34km light rail transit system



Moving large numbers of people by land and air, and a growing volume of goods by sea have involved heavy investment-and some controversy. Substantial spending on property, meanwhile, is looking more credible

and Yuen Long, western New Territories. The first HK\$ 1bn phase of the network is now out to tender and the five inter-national consortia—from Bel-gium, Canada, United Kingdom, Australia and Japan—will know the outcome this summer. The first phase of the light rallway, accounting for about 70 per cent of the proposed system, should be complete by mid-1988. When finished in the 1990s, the total network, which has total network, which has aroused the interest of transport authorities around the world, will be capable of moving 70,000 passengers an hour, to become the backbone of an integrated public transport system for the region.

Back on Hong Kong island, the Government, which provides HK \$2bn a year for the territory's transport infrastructure.

tory's transport infrastructure, is poised to decide some time this year whether or not to introduce its most radical the roads. Even so, there are sufficient numbers to create regular chaos on the territory's limited road network.

But aware of criticism that such blunt fiscal measures meant people living in the outlying areas were being penalised along with those using the most congested, central areas, the Government devised its electronic road pricing concept, designed to impose a "pay as you drive" tax on car owners.

A system of loops embedded

attempt yet to solve the problem of traffic congestion.

Since 1983, when car
tax was doubled and first registration tax was raised, around
25 per cent of the local car
population has been taken off
the roads. Even so, there are
sufficient numbers to create
sufficient numbers to create
sufficient solve the probface a monthly bill of around
HK\$100. rising to HK\$500 for
some and estimates suggest the
system could cut peak traffic by
system could cut peak traffic by
the system could c roads by 1991.

A pilot scheme in Central has been working well and a decision on whether or not to sanction its widespread introduction could corp this year. Buses have been hit by the MTR and KCR, although they remain cheap and convenient Government devised its electronic road pricing concept, designed to impose a "pay as you drive" tax on car owners.

A system of loops embedded in the road surface, combined with electronic number plates attached to vehicles, monitors have a role in a community where the art of good public. where the art of good public traffic movement and imposes a where the art of good public charge on individual vehicles. transport has made enormous

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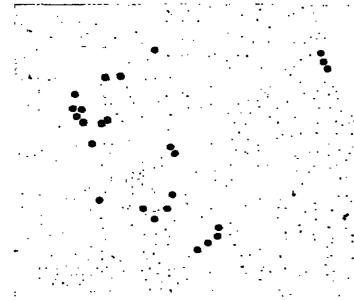


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Back from the depths of trauma

Property MICHAEL CASSELL

THE Hong Kong property market appears finally to be back on its feet, though any claims of a complete recovery

After the disasters of the last few years—which saw acres of unwanted space, rent and price collapses of 50 per cent or more, and endless corporate dramas—the real estate sector as regained some of its old

A strong manufacturing and export-based performance in 1984 combined with the Sino British agreement helped the property market pull out of its spectacular nosedive. The agreement had plenty to say on property and helped clear up many of the fears which had belood traumatise the lange. helped traumatise the longterm investment market.

Of particular importance was

Annex 111, which confirmed that leases extending beyond 1997, including 75-year leases renewable for 75 years and would continue 999-year leasesunchanged and be recognised and protected under the law of the special administrative region after 1997. The appointment of a Land Commission to implement the annex was also announced, although considerable uncertainty remains over

its responsibilities.

There is an understandable reluctance to claim that all the difficulties are over with the political air cleared and the economy improving. But there is no mistaking the general air of optimism which has crept

Last year, according to char-tered surveyors Collier Petty, about 5.5m sq ft of office space was taken in Hong Kong, a 20 per cent increase over the previous 12 months. Take-up of flatted factory buildings rose by about 18 per cent, and similar positive trends were evident in the residential market.

Throughout the recent diffithroughout the recent chin-cult days, retail has managed to remain buoyant because pur-chasing power was maintained and tourism continued to boom.

Overpricing

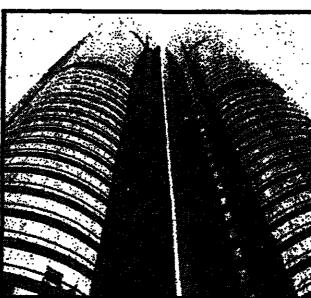
According to Mr George Doran of Coliers: 'The office market has experienced an across-the-board improvement over the last year and we expect the recovery to continue, although we do not anticipate anything spectacular. A con-tinuing general oversupply of space should be useful in helping to dampen down rents." once again the residential sector seems to be leading the recovery, with demand quickly improving and signs that land prices are rising to reflect higher levels of interest. During 1982 and 1982 and 1982 are the control of the cont 1982 and 1983, private housing output fell to almost two-thirds of peak 1981 levels as the market adjusted to oversupply and falling prices and rents.

By the end of 1983, prices were standing as much as 40 per cent below those of two years earlier. Recent events have shown that the main problem was over-pricing rather than any serious lack of underlying

Brokers Hoare Govett say there is much greater price and rental value uniformity in and rental value uniformity in the residential sector in contrast to the wide differentials which prevailed at the top of the boom. This narrowing in quality, size and location premium reflects a more realistic approach by developers to pricing policy, and it appears to be a winning formula.

But there are already fears that the recovery will have an

that the recovery will have an unwelcome impact on prices. The residential sector has taken



HongKong Land's Exchange Square, a 1.2m sq ft office development, is 40 per cent let but at rents well below what must have been originally expected.

off in the last three months, space is dwindling and build-particularly at the luxury end ings like Great Eagle and of the market, Mr Doran says. He cites two similar land sales

The natural focus of attena year apart reflecting a three-fold increase in value.

Office property is enjoying a more modest recovery, although there has been an improvement there has been an improvement in sentiment and activity. Having been drowned in oversupply up until the end of 1983 (total stock nearly doubled to more than 41m sq ft between 1978 and 1983), the return of business confidence and widespread availability of premises at heaving rates have continued. at bargain rates have continued to help reduce vacant accom-

Occupiers are taking advantage of the buyers' market to upgrade and extend accommo-dation, often without any in accommodation increase costs. Rent-free periods, longer leases and stipulated rent review increases continue to demonstrate on which side of the tenant-landlord fence most of the advantages still lie. Given present rates of take-

up, however, that position could soon start to change, and overall supply and demand equilibrium might be nearer than many would have dared suggest a few months ago. By the end of this year, overall vacant space could be down to about 5m so ft (one year's supply at current rates), implying scope for rental and capital increases in some markets.

Already in locations like Tsim Sha Tsui. an office market which until recently was charac-terised by high vacancy rates, shortages of good space are now reported. Over the last year

Wing is also fully occupied. pore, Indonesia and Japan and For the time be In Wanchai, the supply of there is also greater interest optimism is back.

tion, however, is Central District, Hong Kong's fiancial core and the hub of the office market. Central suffered badly in the crash and it is to this market that observers look for evidence that an improvement under way.

There are grounds for en-couragment. Some tenants are moving back from locations chosen when Central became too expensive while others are arriving in Hong Kong for the first time. This improving demand is beginning to bite into the supply of office accom-modation which still overhangs

the market. Revived interest is shown by tenants' preference for top quality space. The few new buildings to have come on tenants than their older,

cheaper competitors. Hongkong Land has let about 75 per cent of the Hong Kong Club building (its only new development to become available in 1984) largely to Japanese banking and financial institutions at about HK\$17 a sq ft. The

arrival of overseas tenants is playing a big role in the market's revival. Mr Jeremy Stewardson of chartered surveyors Jones Lang Wootton, says that there has been an upsurge in regional interest in Hong Kong as an office centre since last year's political agreement.
"We have seen an influx of

reported. Over the last year rents have risen from about HK\$7 to HK\$8 per sq ft a month to about HK\$10.

Tsim Sha Tsui is now 90 per cent occupied, as is Harbour City. Silvercord is virtually fully let and New World East They are coming from Singa-

from several European coun-

many new arrivals will head straight for Central, giving rise to hopes that the prime office market will not tighten further. Ironically, Hongkong Land is adding to the end-1984 vacancy rate of 8 per cent with the completion of Exchange Square, the 12m so fr office centre which 1.2m sq ft office centre which represents about three years' take-up in Central

Exchange Square is nearly 40 per cent let. Some tenants are moving from one Hongkong Land building to another.

Encouraged

Rents being achieved at Exchange Square provide a mea-sure of how badly the market fell apart from 1981. Hongkong Land is asking HK\$19 to HK\$23.50 a sq ft plus HK\$2.25 service charges for space in the territory's premier building. It is probably settling for about HK\$16 to HK\$18 a sq ft when concessions are taken into

At the peak, Central rents hit HK\$30 a sq ft and Hongkong Land must have been expecting HK\$40 a sq ft or more when the go-ahead on Exchange Square was given.

Present supply and the impending increase in available space created by other major developments in the pipeline means the outlook for rental growth appears limited. the Hong Kong and Shanghai Bank building is completed later this year, for example, it will release up to 350,000 sq ft of space in Admiralty Centre

and the China Building. The Government will, simi-larly, leave substantial floorspace behind when it occupies its newly-developed premises in Central and Wanchai. Encouraged by recent evidence of im-proving values, the Government would add further to the longerterm supply by releasing more land for development.

Mr Stewardson believes there stream recently have proved is some room for modest, more successful in attracting medium-term rental growth but cannot see a return to the previous peak levels. He suggests top rents of HK328 a sq ft by 1988, when the second phase of Exchange Square comes onto the market.

In spite of continuing caution, the market is more con fident than for several years. Rents and prices have bottomed even if general oversupply will continue to hold the situtaion in check for some time.

But there are dangers even in revival. Any significant upturn in values could quickly flush out sellers from the large numbers of reluctant property investors left holding some chalm assets during the lace shaky assets during the last crash and waiting for the opporforeign businesses in recent tunity to realise them at reasonmonths," he says. "The level of able prices. That could halt any recovery, as could any change in what must still be a poten-tially voltatile political and economic climate.

For the time being, however,

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Richard Ellis

Fleet shrinking but port traffic booms

Shipping LARRY KLINGER

ping and see signs that supply and demand may be starting to come back to equilibrium. But they cannot foresee any return to real growth until the 1990s, with continuing world over-capacity threatening to drive weak companies out of busi-

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On the other hand, the mood in the territory's port, both among the authorities and operators is decidely optimistic. Much emphasis is placed on Hong Kong's achievement in tomes of dry bulk carriers on maintaining its strong export order to be delivered by early performance, in spite of a flagging world economy, and on the booming entrepot trade with Im tonnes per month."

launched its consultative process aimed at creating Hong Kong's own shipping registry in anticipation of the reversion in 12 years' of sovereignty over the territory to the mainland.

The Hong Kong fleet has withstood the crisis better than most because of its longestand.

However, the mainland than the property of the mainland than the property of most because of its long-standing conservative tradition of ordering new ships only when charters have been arranged or charters have been arranged or are in firm prospect. Executives continue to spell out this policy with some pride, but like their counterparts in other countries they are feeling the pinch: charters are expiring, and the charters are expiring, and the charters are expiring, and the charters are expiring. charters are expiring, and the out, given its expertise in recent collapse of what were management and finance. Shipthought to be gold-plated ping is not going to disappear. charter-holders, especially in It is needed to fuel world trade.

from 60m tonnes a few years says, ago to 57m (or even 55m according to some estimates). For upturn could now slowly begin. ago to 57m (or even 55m according to some estimates). For instance, Worldwide Shipping, the Hong Kong leader and once the world's largest independent, controlled some 20m tonnes in Europe at about 9 per cent 1981 but now has only 9m. It against 16.5 per cent previously has not placed a new building and in Hong Kong at about 8.5 order in three warres.

to buy new ones, but this year, shipbuilding is slackening in it has not placed an order in many countries, notably in Japan for the first time in 20 Britain, West Germany, Holland,

Hong Kong executives say ships are being laid up. there is not enough scrapping there is not enough scrapping there is not enough scrapping the world staking place world wide to make last be improving. Tramping the world's four capacity for freight rates to biggest with the U.S., Japan and Greece, is uncertain.

They feel that 1922.24 may at long taking place world will be made to end in overland it is thought that liner rates in uncertain. Greece, is uncertain.

They feel that 1983-84 may their subsidies because of the have been the bottom of the need to protect jobs and maintain their companies for prestige and strategic reasons, the Hong Kong executives say.

In bulk carriers, for instance, estimates put current scrapping at between 5m tonnes to 6m tonnes annually. "What is tonnes annually. "What is to one tonnes annually. "What is needed to make any real effect is 10m tonnes a year," says Mr Helmut Sonmen, senior vice-chairman at Worldwide.

Many smaller companies are China.

The major expansion programme in the Kwai Chung difficulties. Some which had 18
container port is continuing, to 25 ships in the recent past
and the Government has just now have only two or three,
having run through a series of distress sales to finance remain-

However, the majors are con-fident that they will be around to take advantage of an eventual

urope, has hurt. You can't air-freight iron ore, The fleet has been shrinking, coal, timber or oil," Mr Sohmen

Encouraging factors include declining interest rates. Shipowners quote current rates in

Spain and Sweden, and more

noted panamex rates for certain categories at between US\$6,000 and \$7,500 per day against rates of \$4,000 not long ago.

World steel demand is improving, led by the U.S. and

Japan.

The U.S. dollar, to which the Hong Kong dollar is pegged, is declining, and this should spur Hong Kong exports, especially to Europe as currencies there appreciate against Hong Kong's.

Jeonically, the streng U.S.

Ironically, the strong U.S. dollar was in past the reason for the port's continued high growth. "With the strong dollar able to vacuum up exports, the containers kept coming back, even if they were empty, because Hong Kong was the seller to America," a port official said. Port growth has been run-

ming at about 10 per cent annually, and this was maintained in the first quarter of this year, with cargo discharged up nearly 4 per cent and cargo loaded up about 20 per cent. "The future is still hard to

predict, however, because of the world trend towards protection-ism," an official said "We were predicting 5 to 6 per cent growth and got 10 per cent. The U.S. is slipping, but trade with China is

is in the port's container trade, expected soon to ovetake New York as the world's second busiest after Rotterdam. Hong Kong is already first in terms of intensity of space usage.

Modern Terminals Ltd (MTL),

has not placed a new building and in Hong Kong at about 8.5 and in Hong Kong at about 8.5 are cent this will, nevertheless, mainting largest owner, is still managing to sell old vessels and the first one of the tendency to subsidise and the first one of the fight of alries to fly for the tendency to subsidise and in Hong Kong at about 8.5 are cent this content.

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The Hong Kong Register of opportunity



Expansion is under way at Kwai Chung (below) to cope with growth expected to make this the world's second



18 per cent to give us an average of 8 per cent," said Mr Andrew Milliken, general manager of MTL terminal operations. Current expansion is designed to provide much-neded supplementary room for container marshalling and involves a HK\$650m investment to reclaim land in the Creek area behind the existing terminals, and the purchase of the latest handling

Guarantees

Tripartite negotiations be-tween MTL, HIT and the Government are at an advanced stage on a HK\$2bn project to create a 70-acre sixth terminal. owners, but there is also This, together with the existing upanimity as well, it said. work, will roughly quadruple the size of the container port. It is hoped that terminal six

will be complete in 1989
"This is our answer to those who keep talking about Hong Kong's uncertainty over the future," said an official. "We believe, at least as far as the port is concerned, that China guarantees our future." The Government is also look-

which together with Hongkong ing towards the future with International Terminals (HIT). China and has published first handles about 80 per cent of the proposals* aimed at establishport's container traffic, says its ing Hong Kong's shipping regisgrowth last year was 17 per cent try before the territory leaves but it expects only I per cent to British control.

Hong Kong legislation in the name of "Hong Kong, China."

The proposals also envisage the establishment of a government annointed Shipping Advisory in the hands of Hong Kong's Civil Aviation Authority. Applications for licences to fly daily to Peking and

period for public response was generous. "There are basic differences in the government's views from those of the ship- to capacity, and it is a lucrative owners, but there is also much

Individual shrpowners say that they have been asked by the government to limit public response untill all views of interested parties are on the table.

Privately, however, they say that there are many difficult technical details that need to be agreed, because they believe that basing the new registry too closely on current British legis-lation would not be adequate to

Dragonair flies into controversy

HONG KONG'S air licensing route network, and undermine line's influence inside China is authorities are preparing for Cathay Pacific, which is Hong second to none. Hong Kong's controversies likely to have far-reaching implications for even though it is British-owned.

The immediate focus for controversy is Dragonair, a new airline that only two weeks ago took delivery of its first aircraft, a leased Boeing 737. Within ment rather than Peking to two months Dragonair plans daily charter flights to Shanghai "for airlines incorporated and and Peking Its aircraft, a seen as undermining Hong Kong's autonomy. There were the sights of relief when the sight of the provided leeway for the two months Dragonair plans megotiate air service agreements daily charter flights to Shanghai "for airlines incorporated and participations." and Peking. It aims to capture a significant share of the air traffic between Hong Kong and China's two main cities.

Until a month ago the venture attracted little attention.
But one official said: "We have come face to face with the fact that this is no hack affair.
Dragonair has a strong organisation, strong financial backing, and powerful political support. "They still have a long way

establishment of a governmentappointed Shipping Advisory in the hands of Hong Kong's
Board to comprise officials and
others representing shipowners,
shippers, general business interests, banks, insurance companies and unions.

Shipowners gave it a cautious
welcome. The Hong Kong Shipowners Association said the
government's views were welldefined and that the 10-week
beriod for public response was

to capacity, and it is a lucrative includes the richest and most stopping-off point in most air-influential of Chinese businesslines' regional and global route

agreement.

meet today's needs.

However, both the government and the industry maintain that they are in agreement that the registry will not become a flag of convenience and that its authority, would seize a unique requirements will be stringent.

reaching implications for carriers using the territory—particularly Cothay Pacific, and especially on routes into main-land China.

Cathay succeeded in convincing negotiators that anything undermining it would also be seen as undermining Hong Fone's autonomy. There were

having their principal place of business in Hong Kong" for with China. The only eligible airline under these criteria was

Airlines DAVID DODWELL

> Dragonair is potentially con-troversial because it has been incorporated locally, and will be based in Hong Kong. With backing from China, it would be able to usurp Cathay.

> The fear may seem distant and exaggerated, given the maturity of Cathay and its formidable reputation. But that takes no account of the people who own Dragonair. The Hong-kong Macao International In-vestment Corporation, set up days after the Sino-British agreement has backed the air-line to the tune of HK\$500m. Its list of 31 main shareholders includes the richest and most

plans.

But most important, as the territory moves closer to control by China, so the allotment of flying rights has become a symbol of Peking's willingness to give Hong Kong the "high degree of autonomy" it promised under the Sino-British agreement.

They include Sir Yue-Kong Pao, who heads the Hongkong and Kowioon Wharf and Godown Company, Mr Li Kashing, who heads property group Cheung Kong and the trading and property group Hulchison what whampon, Mr Henry Fok, who has extensive property and has extensive property and business interests in Hong Kong and Macao. T. K. Ann. who heads the textile group Winsor Industrial, and Chao Kuang-Piu, whose Novey Enterprises is among Hong Kong's biggest garment companies.

The Bank of China holds a 22 is likely to ensue.

Government officials confess

Government officials confess Peking's main trading arm in the such and they are already losing sleep on Hong Kong. China Resources, holds 12 per cent.

With such backing, the air-resolved.

Cathay succeeded in convincng negotizators that anything
undermining it would also be
teen as undermining Hong

Seen as undermining Hong

Seen as a British airline or a
Chinese one. This will be
critical when Dragonair applies
for rights to fly scheduled ser-

vices to China and overseus. Such agreements are based on a balancing of reciprocal rights, and while CAAC would want to see Dragonair on the British side of the negotiating table. Britain would prefer to see the airline sitting alongside CAAC. Mr Steve Miller, recruited

three months ago to manage the new group, is facing more the new group, is facing more practical problems. Apart from ensuring he wins the air operator's certificate, he has staff to train, flight plans to prepare and booking procedures to arrange. He ducks the sensitive political issues which government officials see looming.

Cathay Pacific insists it is un ruffled by the prospect of stiff competition, but is concerned to protect its plans for scheduled flights into China, It fought for more than three years to win the right to operate a scheduled service to Shanghai, and has only recently won clearance to increase flights to

three a week, It has still to win the right to fly to Peking, or any other part of China. It has been allowed charter flights during Chinese New Year and other major holidays, but refused the right to more regular charters, even though demand for flights into cities like Peking and Shanchai greatly outstrips supply. Cathay suspects that Dragonair's application for daily charters is a sleight of hand for scheduled rights, and it is not alone.

Cathay will anply alongside Dragonair for any new routes offered by Peking, scheduled or chartered, and the contest is likely to provide important signals on how China intends to interpret the Sino-British agree-

In September this year Britain and China will negotiate a new air services agreement. By then Dragonair should be flying a second aircraft between Hong Kong and the mainland. If it then applies for scheduled rights, an unprecedented contest



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HONG KONG 1997 THE FINAL DAVID BONAVIA SETTLEMENT

Veteran China-watcher David Bonavia analyses the Hong Kong agreement between Britain and China and the events that led up to it. This completely revised and updated edition of his paperback orginal Hong Kong 1997 includes the texts of the Draft Agreement and the Government White Paper on Hong Kong. "Bonavia's account of the negotiations, the historical background and the track record of the negotiations is impeccable, as would be expected from our foremost scholar-journalist concerned with nese affairs." Murray Sayle, The Sunday Times.

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Investment lessons from outsiders

Manufacturing MICHAEL CASSELL

IN SPITE of the rapid development of Hong Kong's service industries, manufacturing remains the mainstay of the economy. It accounts for more than 20 per cent of gross domestic product, absorbs about 40 per cent of the labour force and exports about 90 per cent of output, placing Hong Kong high up the international league of trading nations.

With a population of about 5.5m, Hong Kong has always been forced to seek overseas markets to sustain its manufacturing industries. It has to

rely on exports to survive.

Hong Kong's industries are primarily engaged in production of consumer goods, ranging from textiles and clothing to electronics, plastics and light metals. At the heavier end, the territory produces a wide range territory produces a wide range of industrial machinery, offers shipbuilding and repair ser-vices and aircraft engineering Having once relied heavily on access to the UK market to

assist its transition from entre-pot status to a domestic manu-facturer, Hong Kong now sells to the world. Such has been the increasing diversification and sophistication of its manufacturing skills, that since 1983 the value of electrical and electronic exports has exceeded those of the garment industry.

The significant move away from the production of lower-and light manufactured coods.

end, light manufactured goods to today's relatively high-quality products underlines the pres-

sures which the manufacturing interests may be small—90 per sector faces. These include cent of Hong Kong's industry sector faces. These include rising labour costs, increased rising labour costs, increased is indigenously owned—but the competition in overseas marbenefits they bring in areas like kets, frequent changes in demand and more stringent quota management skills and technirestrictions on textiles and gar-

Import restrictions on tex-tiles introduced in the U.S. serve as a reminder to manu-facturers that no market, how-ever well-established, offers an indefinite guarantee of success. The threat of increasing protectionism, however, is not confined to developed markets. Hong Kong has to face up to the prospect of pressures from the other end of the scale involving developing Third World countries anxious to in-crease their own industrial base

Skills

The threat from these new competitors will be seen first in the lower-quality end of Hong Kong's existing markets, in-creasing the need to move up-market as far as existing products are concerned and to seek new and innovative products to

In the shorter term, the recent decline in capital invest-ment in Hong Kong's manufac-turing sector, brought on by the worldwide recession but prolonged because of political uncertainties, has been brought to an end. The signing of the Sino-British agreement has already given a further boost to the upsurge in expenditure.

The level of overseas investment in the territory's manufacturing sector continues to rise. The number of industrial

cal training can work to the entire manufacturing com-munity's benefit.

A report on overseas invest-ment in local manufacturing industry prepared by the Indus-try Department showed that known foreign investment by last autumn was HK\$11.4bn, a 63 per cent increase over three source of investment finance, accounting for just over HKS6bn (54 per cent), with Japan (21 per cent) in second place and the UK (7 per cent)

The leading areas for overseas investment remain elec-tronics, electrical manufacturing and textiles and garments. In a clear message for local industry, the report noted that businesses with overseas investment connections which proved to be more capital intensive and more prepared to automate production methods. In addition, they tended to consider joint ventures more readily and were also more disposed tow diversifying product lines. towards

The position of the electronics sector underlines the relevance of the message. Because of a downturn in U.S.

has not generally succeeded in and free enterprise, its freeport establishing an industrial business for supplying the computer and telecommunications sector.

and free enterprise, its freeport investment: "The development of technology application is ping and cargo handling facilistil, on the whole, relatively and telecommunications sector.



Manufacturing, while facing new pressures, remains the mainstay of the economy, backed by important sectors like fishing and tourism. China has taken direct investments preparing for the 1997 takeover

that they must improve techni-cal ability and devote more resources to manufacturing equipment.

A shake-out is forcing com panies to move up-market into higher added-value products. The Government has recognised the contribution it can

make in promoting the process. It has introduced projects involving industrial support ser-vice sand technical back-up, including a series of techno-eco-nomic studies in electronics, metals processing, technology transfer and automation. It is also funding three research and development projects involving integrated circuit manufacturing and computer-aided design and manufacture.

The intention is to spread the more enlightened view of forward investment held by com-panies helped by overseas finance. According to the Incause of a downturn in U.S. dustry Department report, most demand, Hong Kong manufacturers face shrinking demand hold in Hong Kong industry feel and over-dependency on a limited product range.

Instance Transmitter Transmitter of the Control of t limited product range. is favourable. This is princi-Although the sector has been outstandingly successful in con-sumer markets, for example, it economic policy of free trade

Local companies have been told and efficient banking and insurance sector. On the downside, investors

criticised the traditionally high labour turnover, rising labour costs, lack of special fiscal incentives and the non-availability of long-term leases for business premises. Some investors are never satisfied, although the suggestion deserves to be taken seriously although that inadequate supporting industries like precision like precision die-casting and industries machinery, die-casting and forging are limiting the scope

for expansion, Their performance implies their views are worth listening to. Sales from the factories to. Sales from the factories involving overseas investment have increased by nearly 60 per cent since 1980 and their share of domestic exports

has reached about 18 per cent. It is generally accepted that indigenous manufactures must adopt some of the policies of their foreign-financed competitors to maintain past successes. Mr John Yaxley, Hong Kong's Director of Trade, told a recent meeting of businessmen that while the territory had made big strides in upgrading industry, often through foreign investment: "The development

"Provided that our manufac-turers are willing to make the necessary investment, the fact that we have been relatively slow in adopting automation and modern, computer-related techniques works to our advantage.

"We now have at our choice, machinery and computer systems which are not only tested in application but which have become more sophisticated, with greatly enhanced capabilities, and which sell at much reduced

The need to re-equip and take advantage of latest production advantage of latest production techniques will become more pressing as Hong Kong's "domestic" market expands to embrace China, with its 1bn consumers. After China's implementation of the new "Open mentation of Door" policy and greater internal liberalisation, there has internal liberalisation, there has been a major increase in the purchasing power of the Chinese people, resulting in higher demand for consumer goods.

Chinese factories are also buying a rising volume of semi-manufactured products and industrial machinery to expand

The prospect will also bring increased competition for Hong Kong producers as China takes up the manufacturing challenge.

Gamble has paid off handsomely

Toys MICHAEL CASSELL

THE PEOPLE of Hong Kong love a gamble, which is just as well, bearing in mind the territory's role as one of the world's biggest toy manufactur-

in the words of Mr. Bill Blauw, of Meco Holdings, one of Hong Kong's best known toy producers: "Toy production appeals to the entrepreneurial Chinese who have an inbuilt gambling instinct.

you have to gamble. A mould for a new toy can cost HK\$50 or HK\$5m but it can be out of fashion in six months. Other lines can go on forever."

Hong Kong's toy industry gamble, now almost 30 years old, has paid off handsomely. In terms of value, the territory

is now the world's leading exporter of toys. In 1984, total including re-exports from Hong Kong of dolls, ys and games amounted to HK\$11.5bn, of which just under 60 per cent went to the U.S. American market for toys, games, hobby craft and models was worth about exchange listing in May, largely US\$6bn last year and Hong on the back of its success in

dual manufacturers at around 2,400. They are thought to employ about 60,000.

Traditionally the local toy manufacturers concentrated on low-cost and labour-intensive products and labour-intensive products like inexpensive plastic toys and dolls. More recently the industry has expanded and developed to the stage where it can offer a wide range of toys and games, many Apart from its long-developed

been its ability to react quickly to consumer demands. Mr Dennis Ting, chairman of Kader Industrial, which does not produce its own product lines but manufactures on be-half of others says: "Hong Kong has stayed on top because of its long experience in plastic moulding and its ability to meet

of the industry's strengths has

its customers' demands at short on time and have the technical resources to help with the development of new kines." Kader obtained a st stock

Although the Hong Kong toy
industry is large it remains production complex in Kowloon
highly fragmented, with estimates of the number of indiviNorth Point on Hong Kong Bay to replace its factory at sive, the major manufacturers North Point on Hong Kong have embarked on substantial

ing facilities in China, where it the next generation of toys is now employs another 2,600.

Automation

The move is an important initiative in the struggle to con-tain costs. When Kader's plant opened in Shenzhen in 1982, the more labour-intensive manuferred there and goods were normally completed in the Hong Kong factories. More recently. the production process has in some cases been handled in China and some shipments are direct to

increasing proportion of manu-facturing is being sub-contracted to outside manufacturers in China, with corresponding cost of thousands of dresses made in China for our Cabbage Patch dolls. We lend them the sewing

machines. Rader reckons that by last differing standards applied in year nearly half of production each of its customer nations.

Kong has managed to take a producing Cabbage Patch dolls work on its products was being growing share of rising sales. for Coleco Industries of the carried out in China. Although toy production remains relatively labour-inten-

> The company employs about designed to increase automation 3,200 in Hong Kong but, like and raise volume output. At the some competitors is 3.200 in Hong Kong but, like some competitors, is increasingly making use of manufacturis being stepped up to ensure popular products.

Whatever arrangements are made to produce toys at competitive prices, most manufacturers are aware of the need to maintain standards and quality. In the past Hong Kong's reputation for low quality toys was worldwide and it has taken years to overcome the image. Mr Blauuw comments: " When the toy manufacturing business got under way, it was rough and ready and producers were hav-

overseas and product lines.

"A great deal of what they According to Mr Ting: "An produced was inferior but they quickly introduced improve-ments. Even so, the stigma still sometimes sticks, so manufacturers are even more deter-mined to provide quality and value for money.

ing to experiment with materials

One of the industry's biggest headaches is ensuring that its product lines meet the widely

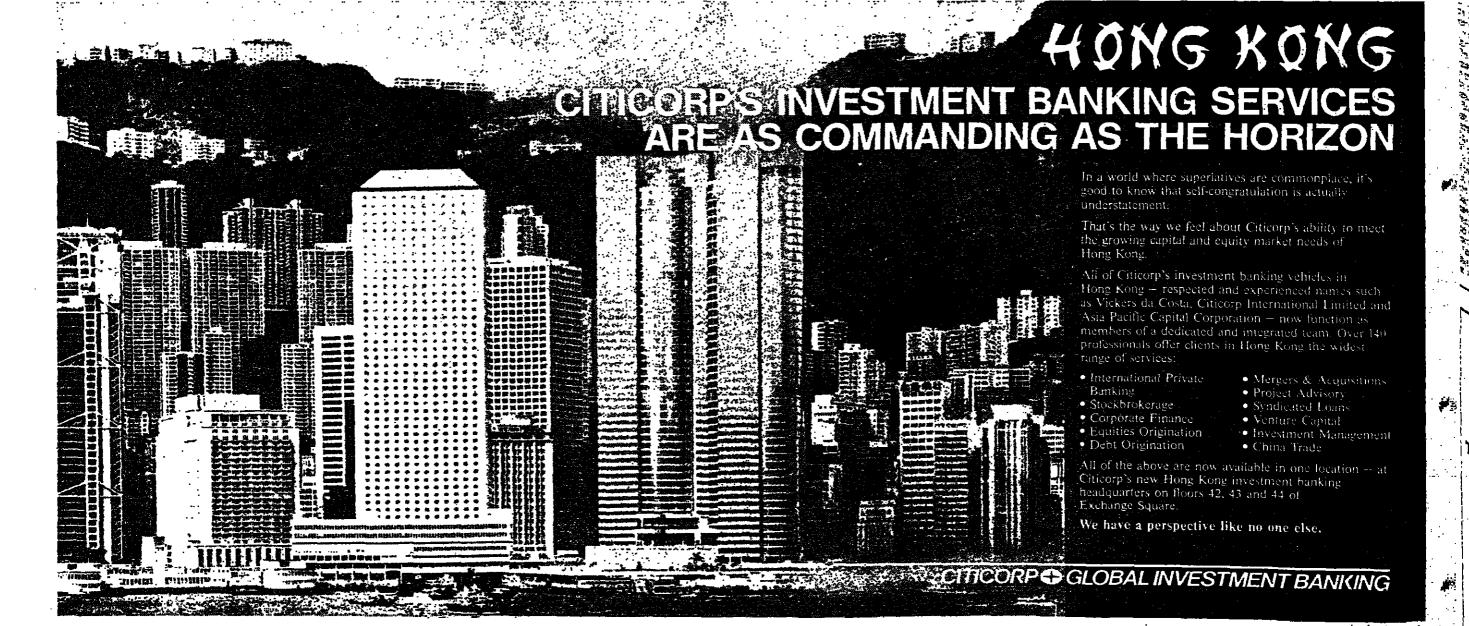
Hong Kong is now the leading exporter of toys, with exports amounting to HK\$11.5bn. More than 2,490 manufacturers are active in the growing market.

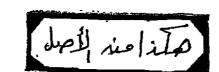
designed to meet local requirements and failure to take them into account can spell disaster."

Hong Kong's ability to maintain its leading position in the toy exporting league will depend on the industry's cost competi-

According to Blauuw: "Im- Failure to maintain the performporting countries demand a ance will quickly be turned to wide range of specifications the advantage of competitors.

will always remain a high-risk business. While characters from Star Wars and Cabbage Patch kids may have proved sistently good sellers, there are warehouses in Hong Kong tiveness, and its ability to pro- allegedly stuffed to the sky duce quickly and in volume, with unwanted ET dolls. allegedly stuffed to the skylights





Charting a course to avoid depleted waters

Fishing LARRY KLINGER

HONG KONG'S fishing industry is faced with a problem: the territory's catch is levelling off and the available waters are reckoned to be exploited to the full and now in real danger of being dangerously over-fished. And officials say there is little that can be done, at least for the moment, to change the

The diplomatic distance be-The diplomatic distance between the points of the triangle within which the industry finds itself—Hong Kong, China and Talwan—means that any idea of managing jointly these waters to mutual benefit is impossible. The almost complete lack of formal contracts between the complete lack of formal contracts between the complete lack of formal contracts between the contracts of the contract of the cont formal contacts between the three means that not even scientific evidence can be freely exchanged and pooled to establish what resources actually exist, even if this information were available. In China's case, it probably is not.

Dwindling

Yet, fishing remains of considerable importance to Hong owners, in the search for Kong. While dwindling in cheaper labour, are hiring more terms of the number of people who earn their living from the sea, the industry still produces have dual licences, granted by sea, the industry still produces Hong Kong and nearby Chinese 90 per cent of the marine fish provinces. eaten by Hong Kong's popula-tion, whose consumption rate is in the world's top five.

The industry also remains

significant economically, employing about 28,000 people, who last year landed a total catch of nearly 200,000 tonnes, worth an estimated HK\$1.6bn. It is also of social impor-ance, a traditional industry of

small ports scattered across the territory's islands and manned by the Tanka and Hoklo com-munitles which for millentia have fished the northern shelf fisheries.

of the South China Sea. Most There has been a distinct fleet would only benefit other vessels are still owner-operated.

As in most of the world's traditional grounds, and stocks limit the overall catch,

fishing fleets, however, the modernisation that has been taking place over recent years has brought benefits and prob-lems. Mechanisation and improved fishing methods (about 4,400 of the fleet's 4,700 boats are motor-powered) has meant bigger and better catches (192,000 tonnes in 1984 compared with 128,000 tonnes in 1973) higher income (landings only fetched HK\$467m in 1973),

only fetched HK\$467m in 1973), better working conditions and extended ranges for boats in reduced travelling time.

However, it has also meant fewer vessels (there were nearly 5,500 10 years ago) and less employment (about a tenth of 1 per cent of the economically active population now against 1.7 per cent 10 years ago). Larger quantities of fish are also being taken in waters in turn, has led to the search for more fish towards Vietnamese and Philippine waters, leading to clashes in which there

have been arrests.

There are other difficulties. There are other difficulties. Operating costs, especially for fuel, are outstripping the increase in catches. More of the catch is being landed in China in exchange for diesel, where it costs about 25 per cent

Nevertheless, the over-riding problem remains the long-term danger of over-fishing by the Hongkongers themselves and their colleagues in China and Taiwan.

"The Hong Kong Government monitors its own fishing. and the indications are that it is no longer a question of declining abundance. Existing fishing grounds are in real danger of being over-exploited." said an official at the Department of Agriculture and

1973 74 75 76 77 78 79 80 81 82 83 84

The Government hopes that it

scientists are encouraged by the

apparent stirrings of concern in China, which recently banned fishing along its coast to a depth

of 40 metres to protect nursery

tense atmosphere of the run-up

its own less-developed one.

Hong Kong's fishermen are in
a tight position. The Government is certainly in no position

reversion to Chinese

grounds.

in areas which recently showed some improvement are again can at least promote a general levelling-off. Hong Kong retains awareness of the danger, and its long-standing official policy of trying to ensure an ample supply of fish through a viable home-grown industry, but the Government admits it can do little more than it has already. This includes a programme of inland freshwater pond farming and coastal marine farming

which last year provided the territory with 6,500 tonnes of freshwater fish valued at HK\$103m and marine production of 1,300 tonnes valued at about HK\$100m, However, persible expension in ferming possible expansion in farming is limited by geographical constraints, especially for the potentially more important marine farming because much of the territory's suitable coastline is already occupied harbours and public recreational areas.

Extensive search

The Department of Agricul-ture and Fisheries has also made an extensive search for "new fisheries" in Hong Kong waters. Because the industry almost exclusively fishes for species which dwell on or near the seabed, marine scientists have mounted a research programme to find fish at shallower depths but they located nothing

that could lend itself to commercial exploitation.

Research is now being launched to see if Hong Kong might unilaterally improve stocks by finding areas where its fleet can limit fishing or use nets with larger mesh sizes to protect nurseries. Here too, however, the hopes are not high because without a shared policy in the Hong Kong/China/ Taiwan triangle, significant

Success brings its problems

Tourism

MICHAEL CASSELL

ON A BUSY DAY, Hong Kong's crowded, colourful streets may bave to find room for up to 300,000 tourists — apart from a few million of its own inhabitants.

Last year the tiny territory clinging to China's underbelly played host to a record 3.15m overseas visitors. Lured by the prospect of good food, unbeatable shopping, a glimpse of the Orient and the increasing chance of a trip into the People's Republic, the number of tourists have continued to

This, of course, also had the effect of restricting the Hong Kong fleet as well, and, in the In 1984 revenue from tourism reached just over HK\$14bm, 2 23 per cent increase over the no signs that the bubble will sovereignty, new worries have surfaced among Hongkongers about whether China might impose further restrictions, if it feels that Hong Kong's modernised fleet is a threat to its own less developed one

become big business, directly employing more than 120,000 people and with as many as 500,000 associated with it. For years its potential contribution to the economy was underrated by the Government, but no longer is that the case.

to manage the region's wider fisheries, having only real con-tol over about five miles of Rarely has Hong Kong been at the centre of so much world attention. While the political tol over about five miles of water in any direction. The territory is effectively surrounded by China. At the moment, the Hong Kong fleet has access to waters along the Chinese shelf, from the half of Tonking Bay not controlled by Vietnam, around Hainen island up into the Face. attention. While the political uncertainty surrounding its future may have created all sorts of tensions and problems for its people, recent events have helped place it even more prominently on the international tourist map.

Hainan island, up into the East China Sea past Taiwan. Mr John Pain, executive "It is all very delicate," said director of the Hong Kong
"It is all very delicate," said a government economist. "On the one hand, we want to be able to protect the fisheries for the longer-term food supply. On until recently, the widely held the other hand like any govern. the other hand, like any government, we are responsible for protecting the viability of our own industries."

belief that the territory might not always be so easy to visit, have added to its pulling powers.

Hong Kong is top of the tourist league with visitors from ASEAN nations, from Japan and from the U.S. Its popularity in these and other nations is being aggressively promoted by the association which in 1985 has a HK\$104m budget — this year, for the first time, derived exclusively from hotel room taxes. Mr Pain says the tourist success is not taken for granted and the association is pursuing policies to tap new sources of visitors.

The association works hard to promote the variety of ex-perience and good value offered by Hong Kong and has introduced special tours like those to the New Territories to widen the choice for visitors. It is also offering the benefit of its experience to help new tour operators set up in business and sell Hong Kong,

Pressure

If the industry has problems, they appear to be associated with its success. The huge increase in arrivals has put increasing pressure on the ter-ritory's 18,000 hotel rooms and worked through in higher room rates. Complaints of increasing charges have been rising, although the association emphasises that by international standards Hong Kong still offers comparatively cheap accommodation.

About 18 months are the

About 18 months ago, the her; industry saw the crunch coming and embarked on a new wave of development. From a point where virtually no new hotel rooms were being planned. more than 6,000 were on the drawing board six months ago, a figure which has now risen to about 10,000. Not all may be built, but the possibility has provoked some warnings of another phase of overbuilding. Within four years, the total inventory of hotel rooms should

including a 20-storey building

stand at almost 26,000.

in Connaught Road West on Hong Kong Island, scheduled Kong's visitors arrive by air at for completion this year; the Kai Tak airport, offering one Kowloon Hotel, a 743-room property behind the Peninsula: and two hotels offering 1,710 rooms in the new Hong Kong inter-national exhibition centre being developed on the Wanchai waterfront.

It looks as though the rooms cannot materialise a moment too soon. In a tourist centre where 70 per cent occupancy rates have historically repre-sented something of a crisis, recent rates have averaged nearly 90 per cent and travel agents have been experiencing growing difficulties in securing accommodation.

If overall numbers of

tourists remain highly encourag-ing. Hong Kong is now working hard on improving the profile of its visitors. It is concentrating of its visitors. It is concentrating efforts on attracting higher-spenders and people prepared to stay longer, as well as out of season. The incentive travel business—235 groups stayed last year—and Hong Kong's conference and exhibition facilities represent increasingly important sources of earnings. tant sources of earnings.

Last year there were more than 450 conferences and exhibitions attended by 70,000 delegates, most from the U.S. The business will be boosted further by the development of the international exhibition centre in Harbour Road, Wanchai, timed for completion in 1988. The HK\$1.5bn project is being financed by New World Development Development.

One of Hong Kong's principal attractions is its giant neighbour to the north and the desire of a growing number of tourists to take a trip inside a nation whose doors were closed for so long.

Kong's visitors are estimated to cross the border and this is quickly growing. The trend has worked to Hong Kong's advanconnection could backfire.

of the world's most spectacular approaches. But Kai Tak could face saturation by the early 1990s. Ambitious and costly plans for a new airport on Lantau island have been scrapped, so the existing facili-

Dilemma

The Chinese may solve the dilemma by developing their own international air terminal close to the border, possibly in Shenzhen, encouraging a growing proportion of travellers to make China their first port of call. Hong Kong would then become the destination for a one- or two-day trip and the tables will have been reversed.

There is also concern about the flow of Chinese visitors into Hong Kong. Each year about 250,000 Chinese visit the territory but they are demanding more basic facilities than other interval or all travellers. international travellers and there is concern that in attempting to meet their needs those of higher-spending tourists could be overlooked.

There are also claims that the Chinese make little direct financial contribution to Hong Kong's tourist enconomy, whilst making disproportionate demands on its facilities. (The average spending by all Hong Kong visitors was HK84,300 a head last year.)

Such concerns, however, are not allowed to overshadow Hong Kong's success in draw-ing visitors from around the world and inviting them to participate "in one of life's great adventures."

At least 12 per cent of Hong cong's visitors are estimated to cross the border and this is utickly growing. The territory can be infuriatingly sticky and occasionally smelly, hopelessly overcrowded, offensively nolsy and immensely rich in experi-At least 14 hotels are in tage but there is concern over ence. This year, another 3m or various stages of development, the extent to which the China 4m people will give it a go and few will be disappointed.

China's investment links

Of this perhaps has been funnelled into manufacturing industry. The Hong Kong Government has no accurate figures, and it

is making an attempt to measure mainland investment. China's "Sister Banks," which channel funds into Hong Kongbased ventures, rarely make public their investments. They are under no pressure to make their holdings in local companies public until they reach a controlling level. Even then, nominee names can disguise the

source of investment. This alone makes the govern-ment statisticians' task difficult but far more perplexing is that much investment is agreed in-formally, based on links between small family-controlled companies in Hong Kong and enterprises in China. One official at Hong Kong's Industry Department said: "There are more than 40,000 companies in Hong Kong, Most are tiny, and any one could have funding from Chinese

Officials know that, for instance, a large number of electronics' companies in Hong Kong's Taipo industrial estate have mainland backing.

As in the textile sector, many of these companies have strong links with partners in China, either supplying high tech-nology components to enhance estic Chinese production or buying from Chinese counterparts before manufacturing for

image, most times investment minal, and the Mass Transit has been revealed have been Railway Corporation. Returns

CHINA'S investments in Hong For a long time, the kong spanning banking and trading as well as manufacturing, are estimated at about Hong Kong has been inHK\$5bn. Of this, perhaps separable from the Their political responsibility separable from the powerful support from China

> Wei Yuming, Deputy Minister of Trade

When Conic unhappy ones. Investments, one of Hong Kong's leading electronics companies, collapsed last year amid scandal over the disappearance of funds, it was the Bank of China group that was forced to

bail the company out.

The bank probably lost hundreds of millions of Hong Kong dollars. The company is likely to be in a frail state for a long time, although an in-creasing proportion of its out-put is now going to the mainland.

China Cement has proven another headache for the Bank of China. The plant went into of China. The plant went into operation in 1983 after costing HK\$1.1bn to build, and has made losses ever since. In January this year Kaiser Cement, of the U.S., and Green Island Cement, the Hong Kong group controlled by Mr Li Kashing, decided to cut their losses, make substantial write offs and sell their interests to offs, and sell their interests to a Peking-controlled group. The Bank of China group has taken over responsibility for debts exceeding HK\$1bn.

In a different category arc investments in the Admiralty port.

II property development, the Unfortunately for China's Hong Kong-China ferry termage, most times investment minal, and the Mass Transit

for fostering confidence in the Territory has been difficult to reconcile with commercial bank-

ing logic.
Mr Wang Guangying, whose Everbright Industrial emerged onto the Hong Kong stage two years ago with talk of massive investments in the Territory, has all but gone to ground. Since the collapse last year of a HK\$1bn deal to buy a luxury property development from International City Holdings, some of the shine on his group's reputation has worn off.

One of the most promising mainland ventures is Hongkong and Macao International Invest-ment, capitalised at HK\$500m. with backing from the Bank of China and almost every illustrious Chinese business figure in the Territory.

All its funds have been put at the disposal of the new air-

line company Dragonair. The airline still has to win permission for charter routes from Hong Kong to Peking and While the scale of China's investment in Hong Kong is un-

clear, the discernible trend is so powerful that there can be no doubt that China will play an increasingly important part in funding Hong Kong's indus-Peking has made many con cessions that might be onerous because it sees Hong Kong as

a valuable asset. By investing there now, China is aiming to ensure as valuable an asset in

David Dodwell



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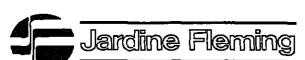
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Bureaucrats' triple squeeze

HONG KONG'S civil service faces a "triple squeeze" up to 1997. Expatriates will leave, overseas contract staff prove neerseas contract staff prove harder and more expensive to recruit, and local staff will wonder whether they will be suspect once China regains sovereignty if they have been successful under colonial rule. Many in Hong Kong's free-

enterprise economy may say this is no bad thing. Most see bureaucracy as a curse and civil servants as the source. Even those who acknowledge the importance of an efficient and neutral civil service have given little thought to the implications if the service begins to disintegrate.

Hong Kong's civil service has unusual power. In a territory colonially administered since 1842, it has not only advised on, drafted and applied government policy but formulated it as well. Even as steps are being taken to establish democratically-rooted political institutions, civil servants play a leading role in the most powerful decision-making bodies—the executive and legislative councils.

This has given rise to two big worries as Britain prepares to hand over power to Peking The absence of democratic checks on the civil service will give the Chinese-installed Special Administrative Region

powers in the territory after 1997. There have been promises that local people will govern Hong Kong, and that the capitalist way of life will not be disturbed.
But many fear that bureaucrats answering to Peking will be ill-attuned to capitalist needs. They might even try to eleds. Iney might even try to eliminate contradictions in the "one country, two systems" philosophy outlined by Deng Xiaoping, China's leader, as a basis for reuniting with the mainland not just Hong Kong, but also Macao and Taiwan. • Secondly the civil service has unusual power, so its disintegra-tion would have a powerful

soldiers are uncertain of their future when China takes control of the colony. A similar uncertainty

Civil servants and

government's efforts to control serious pollution problems without

harming profitability

surrounds

under the Sino-British agree-ment to ensure a smooth transition of power in 1997, and upheaval inside the civil service could jeodardise this. Political reforms putting

more power in the hands of locally - elected representatives are only now being tentatively introduced, and are unlikely to

> Civil Service DAVID DODWELL

reduce significantly the power of the civil service. There have been strong signals from Peking that Hong Kong denoambitions can only stretch so far.

Expatriates in Hong Kong's civil service have most to lose as sovereignty reverts to China. The Sino-British agreement says the local government "will be composed of local inhabitants." Senior officials will be ates left belies their importance. Of 171,000 in the civil appointed by the chief execu-tive, who will be appointed by

"may be employed to serve as advisers or to hold certain public posts."

Career prospects seem unappealing, particularly to expatriates who will not have reached retirement by 1997. All top jobs are likely to be closed and anyone with ambition has begin to look elsewhere begun to look elsewhere.

The expatriates are an anomalous group who are inevitable victims of decolonisation. The writing has been on the wall for many years and the colonial government has been committed to localisation for more than a decade.

Recruitment of expatriates on permanent and pensionable terms has ended this year even among the elite ranks of administrative officers and the police. By 1997 there will be a maximum of 70 pensionable expatriate officers who have

service, including teachers, road Peking.
Those currently employed in the civil service, both Chinese and foreign, "may remain in low the elite administrative

legal profession. In the past likely to rise as the prospect

The loose reins offered by Britain in these last decades of colonial rule have given the local administration liberty to use discretion in drafting and implementing policy. If Peking tightens control after 1997, the loss of liberty will be keenly

Most local civil servants seem

willing to give Peking the bene-fit of the doubt. They admit,

officers are expatriates.
It is in the poince, where one third of officers above inspector level are recruited from overseas, and in the administrative graces that local people have yet to make their mark. Nine of the 13 secretaries heading government departments are expatriates.

expainates.

There is heavy dependence on expatriates in other profes-sional areas, particularly the staff could expect fairly routine renewal of contracts. This is no longer so and morale has fallen. Many are seeking work elsewhere, and the price of recruiting replacements is

of a career dwindles.

Locally-born civil servants face 1997 with mixed feelings.

Localisation offers unique opportunities for rapid promotion but many are wary of what it will be like to work for employment, while expatriates it will be like to work for masters answering to Peking.

however, that everything rests on Peking acting in good faith on both the letter and the spirit of the Sino-British agreement. China's bureaucracy has a reputation for ponderousness, inflexibility and obduracy which many blame for the painfully slow climb back to econ-omic strength and political stability. Hong Kong's adminis-tration, on the other hand, has a comparatively light touch, and

small part due to this.

If the "triple squeeze" weakens the service during the next 12 years then this light touch could be lost. The special administrative region of Hong



The Royal Hong Kong Regiment in training

Gurkhas fear for the future

Defence

MARY ANN SIEGHART

ABOUT THE only thing that is certain about Hong Kong's future defence is that after 1997 it will not be conducted by the

Since the defence cuts of the early 1970s when heavy fighting forces and weapons were pulled out of Hong Kong, Britain has kept about 12,000 soldiers there, mainly from the Brigade of Gurkhas whose home base is

The Army has long given up the idea of being able to defend the territory agains: a deter-mined invader. It is there now to prevent illegal immigrants crossing the border with mainland China and to back up the domestic police during civil

The two vital questions are: who will replace the Army, and what will happen to the Gurkhas? The first may be decided by the Joint Liaison Group or, unilaterally by China. The second is a problem for the

British Government.

The Army is giving nothing away. "The decision is the Prime Minister's," says Brig Christopher Pike of the Brigade of Gurkhas. Under the Sino-British agree

ment, the Chinese would take responsibility for Hong Kong's external defence, and internal public order would remain the that the cost of control is considerably reduced, Nuclear concerns aside, Hong Kong's, problems, are urgent, but government action to deal with them has been hamstrung by refluctance to damage economic competitiveness.

Mr Henry Ching, until recently Secretary of Health and Weifare, summed up this and Weifare, summed up this and Weifare, summed up this and which that the cost of control is considerably reduced, but it also means that the control is forces in Hong Kong until ne left the territory in May, suggested that, rather than just expanding the local police for the destruction in forces in Hong Kong until ne left the territory in May, suggested that, rather than just expanding the local police for this purpose, the Hong Kong until ne left the territory in May, suggested that, rather than just expanding the local police for the cause. Pollution of Hong expanding the local police for the ca province of the special admini-strative region. Gen Derek Boorman, commander of British-

But in May 1984, Deng Xiaoping, the Chinese leader, said he intended to put between 3,000 and 5,0000 troops in the

territory after 1997.

The Gurkhas are worried what will happen to them. They are recruited annually from Nepal, and competition is extremely fierce. They send money back to families who otherwise have to rely on subsistence farming. The relationship with the British goes back 160 years, when the East India Company was so impressed by the fero-city and skills of the King of Nepal's Gurkhas that it offered to take them on once peace was made.

During that time, the bravery of Gurkha regiments has earned them 26 Victoria Crosses. The problem is whether the army can afford to assimilate about 8,500 Gurkhas into its activities outside Hong Kong,

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Competition worries limit clean-up anxious about a 1,800mW nuclear power station being built at Daya Bay, China, 40 miles from Hong Kong, in conjunction with Hong Kong's China Light and Power. The plant will supply electricity to the colony. Nuclear concerns aside, Hong Nuclear concerns aside, Hong hard but it also means that the control is considerably reduced, but it also means that the control which rivers in the sea. The Gov compensate probably ba at least in Agriculti by some follows will take a long time— Accordes—to bite. residential districts through

Pollution ALEXANDER NICOLL

ANYONE LANDING at Kai Tak airport will have an inkling of Hong Kong's environmental problems. Approaching aircraft skim the Kowloon roof-tops, bringing constant noise to local residents; high rise blocks attest to high population density as far as the eye can see; and an appalling stench rises from stagnant harbour water trapped by the airport

tonnes of sewage pumped into its waters every day and (more lethal) 2,000 tonnes of pig and poultry waste dumped daily into its rivers. In the air, there is the wridte from the Green. is the residue from the Governthe sulphur dioxide created by wide use in industry of cheap,

high-sulphur fuel As if these and other persistent problems were not enough, an increasingly vocal environmentalist lobby is

Not immediately obvious are the colony's more serious and pervasive pollutants: nearly 1m water. . . The problem faced by our industrial and manufacturing sectors are clear facturing sectors are clear enough to us all, and it obviously would not be sensible

to impose controls which seriously threatened their competitiveness," he said. Mr S. L. Wan, chairman of the Conservancy Association, a non-governmental watchdog, takes a less generous view. "The most serious problem is leadership at the highest levels of Government," he says.

"The Government view is that it is desirable but not essential or fundamental. I've fought a number of losing battles,"

Complaint

Hong Kong does have a dynamic Environmental Protection Agency. Its role, so far, has been to monitor pollution levels to draft legislation and to plan
—in particular, to take an active
role in the planning of the new
developments and projects
which will continue to spring up everywhere to accommodate an ever-expanding population.

The EPA has no enforcement role. Anybody wishing to express concern about a particular environmental problem must consult a list of telephone numbers several pages long to find out which office of which Government department should from Hong Kong's 500,000 pigs, not to mention its chickens, and goats.

Six different departments, for example, are responsible for handling complaints about dif-ferent types of air pollution. The bureaucratic frustrations of making a complaint can be

Next year the EPA is likely to become a full-fledged depart-ment, though its make-up and enforcement powers remain to be defined. It will, however, provide a central complaint function, simplifying life not only for disgruntled citizens but also for industrial companies and others seeking advice on

environmental issues Laws to deal with most types of pollution (though not noise) are in place, but so far, they are basically enabling legislation with precise regulations still to be filled in. Most importantly tantly, they will have little impact on existing industrial factories and on other current sources of pollution — notably those controlled by the Govern-

An existing factory will in act, be able to increase its output of pollutants by as much as 30 per cent without breaking the law. To tighten up on plants already built would, it is

against noise is, to a large extent, not much more than an irritant and a nuisance, and that its polluting effect largely ceases when the noise ceases to be made," Mr Ching said.

There are plans however to control construction, industrial and aircraft noise.

Between 5m and 6m people crammed into a tight area not only make a lot of noise for each other but also produce a lot of sewage, most of which is pumped virtually untreated into

This is not as bad as it might seem. A strong tide takes most of it away every day, leaving problems only in individual black spots where water is trapped. Much depends on the extent to which the "receiving water" is polluted already.

It is unlikely that there will be any significant change in the methods for dealing with sewage. In planning a future large development at Junk Bay. for example, the EPA at first considered placing a "second-ary" full-scale treatment plant near the new town. But it was decided that the effluent from the plant would create too many problems when trapped within the bay, and that it would be better to pump the sewage further away to a cheaper,

"primary" plant from which it would be washed out to sea by

ducks and goats.

The Government encouraged pig-farming during the Cultural Revolution when supplies from China were cut off. But there is no available land upon which to dispose of the inevitable consequence, so the farms dump it into the streams. From there,

which rivers flow, and finally

The Government plans to compensate the farmers and will probably ban pigs and chickens, at least in urban areas.

Hong Kong's water except in trouble spots. But sulphur dioxide produced by industry is a major air concern.

Incinerators

Every method of dealing with it costs a significant amount of money. These include building taller chimney stacks from which the gas can be dispersed phere (which is unreliable and will produce acid rain); use of more expensive, less sulphurous fuel (difficult when Hong Kong is entirely dependent on imported fuels); and installation of equipment to desul-phurise flue gas.

The last method may prove

the most cost-effective for the 200 or so factories which produce more than half the colony's sulphur though clearly a strong govern-ment lead is required before anything will be done.

The government, in fact, is probably the worst poliuter of the air, through its three refuse incinerators, which are not fitted with smoke-reducing electrostatic precipitators.

The EPA is considering plans to reorganise refuse disposal in

Kowloon, which would not only remove the incinerators but also introduce private sector participation as has been occurring in the UK. But at Kennedy Town on Hong Kong island, described by one EPA official as "a disaster," the increase or problem is likely to cinerator problem is likely to remain for many years.

Among many other hazards are dust produced by construction, and exhaust emissions. About half the colony's vehicle miles are run on cheap diesel which produces fumes ing carginogenec.



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Business Guide

COMPILED BY MAUREEN AUNG THWIN



How to move around the colony, where to stay or play, and a few tips on visiting mainland China

HONG KONG is easy to handle. Taxis are plentiful and cheap (except when you take Kow-loon-based cabs to Hong Kong or vice versa), local telephone calls are free, the Rapid Transit (MTR) is exactly what it says it is (and probably the world's cleanest), and most people in the service industries

people in the service industries speak English.

It is easy to get cheated by shopkeepers and money changers, so if you suspect something, make an immediate report to the Hong Kong Tourist Association, which is well-organised and helpful. Its tourist handbook, available in most hotel rooms, gives useful most hotel rooms, gives useful tips on where and how to shop.

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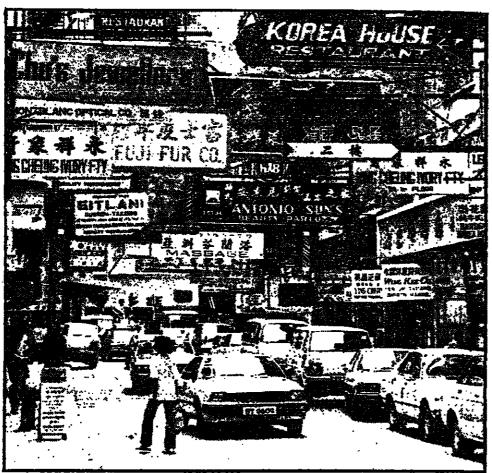
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1 80

Most middle to top-class hotels are excellent but can be booked solid, for Hong Kong is a powerful magnet for tourists

Island or in nearby Kowloon because of the variety and easy availability of transport. But for those who like to be where the action is, the centre of the territory is slowly shifting from Hong Kong Island to the dynamic Tsim Sna Tsui area of Kowloon, which boasts every-thing Hong Kong Island has except for Victoria Peak.

with most top-class hotels offer-ing sumptuous buffets and "businessman's specials" at exceptionally low prices. One exceptionally low prices. One of the best deals in town is the squire lunch at the elegant Gaddi's in the Peninsula Hotel Queen's Road up D'Aguilar three courses, with a glass of Street) is a whole world of three courses, with a glass of wine for HK\$100. There is also



Neon City, Kowloon, where the power of advertising has become a tourist attraction

gourmet health menus in several restaurants, including an excellent chicken lasagna made with home-made pasta in

the Belvedere.
Hong Kong Island has a captive lunchtime clientele so restaurants are often crowded. and businessmen. Make sure captive lunchtime clientele so you have a room reserved before coming.

It makes little difference whether you stay on Hong Kong Island has a captive lunchtime clientele so restaurants are often crowded. Everyone lunches at 1 pm in Hong. In makes little difference whether you stay on Hong Kong Island has a captive lunchtime clientele so restaurants are often crowded. Everyone lunches at 1 pm in Hong Kong Island has a captive lunchtime clientele so restaurants are often crowded. HK\$160 and promises to serve the whole meal, if necessary, within an hour. The Mandarin Hotel's Clipper Lounge has the best steak tartare sandwich in

Food in general is superb in Hong Kong, whose residents have become spoiled by the abundance of fresh local and imported food year-round. Dinner at the Regent's Plume or the Mandarin's Pierrot is

A couple of eating places not in hotels are worth a mention: the Cozy Vini and Salumi, an Italian restaurant at 54 Morritrendy restaurants and shops.

ment. For shorter journeys it

(HKSS2), and the Shangri-La's Lok Yu Tea House or the Fuk Margaux (HKSS8). The Holiday Inn Harbour View features appreciated without a Chinese-speaking companion.

Hong Kong is club country. So if you belong to a club at home, bring your membership speaking companion.

Park restaurant in Wanchai (but beware of what can be exorbitant "seasonally priced" items) or Sichuan cuisine in high-tech surroundings at the Pep n' Chilli. Chiu Chow food at the Carriana restaurant is superb, as is the Cantonese food at the Tsui Hang Village in the New World Tower in Hong Kong.

ENTERTAINING

Unlike Western cities, the comparable in quality and price best places to eat tend to be the to better restaurants in New hotels, at least for European York or London, For the price food. These also serve as main food inner, however, you could stays for nightly dancing and entartainment.

Even if you are to be innovative about business entertaining. Most hotels Hong Kong's nightlife is more will arrange almost any special diverse than any other Asian city except perhaps Tokyo. There is good jazz almost daily antartainment.

Manila for three days. for a day or evening cruise in Tsui and on Sundays in the the harbour.

Charter Boats Hong Kong, at Hotel on Hong Kong Island.

11 Shum Wan Road, Aberdeen Most hotels feature instr short-term rentals of yachts, is a plethora of classy discos sailboats, junks and cruisers, around town for the more complete with skipper/cox-swaln. Prices are sometimes Check the daily newspapers

But if striking out on your own, there are many good Chinese restaurants to be recommended: the Jade and Peking Garden chain is never disappointing.

You can try exotic fare like holders have automatic access yak meat at the elegant North Park restaurant in Wards to the London No. 1 Club's half dozen affiliates in Hong Kong, which includes the Clearwater Bay Golf and Country Club.

Bi-weekly horse races are rotated between the Happy Valley track on the island and the newer one in Shatin in the New Territories. Both courses are easy to reach by taxi or train. For the more adventuresome, the casinos in Macau are only 50 minutes away by jet-

Most hotels feature instru-(Tel: 5-557-349) offers long- and mental music groups, and there

a curry lunch special in their
L'Aperitif lounge.
Other notable gourmet luncheons in Kowloon include the Royal Garden's Lalique

It is difficult to get a bad Chinese meal in Hong Kong, Other notable gourmet luncheons in Kowloon include the Royal Garden's Lalique

It is difficult to get a bad Chinese meal in Hong Kong, Other notable gourmet and easy to have spectacular land or Daya Bay can be like the New York Philharmonic arranged, but going ashore is or Dayid Bowie—at Hong Kong prices.

Swain. Prices are sometimes for special events. Occasionally you can take in the big time—arranged, but going ashore is or Dayid Bowie—at Hong Kong prices.

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Contact: Mr. D. M. Fletcher, Hong Kong Government Industrial Promotion Office, 6 Grafton Street, London W1X 3LB. Telephone: 01-499 9821.

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vestment and trade with China, a prime renformation – who to approach in which organisation, which province offers the best location, what types of proposal are accept-able, the structure of government and relevant Chinese law.

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foreign interest. Up-to-date and comprehensive statistics and data on China's Special Economic Zones, main cities, provinces, municipalities, and industries not easily available outside China and certainly hith-

erto not consolidated in one volume. Lists of all the organisations, consultant corporations and companies involved in foreign trade and investment, their personnel, structure and functions essential to the foreign traders and investors who need to know who to contact and how in a

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a visa at Peking Airport, though
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Even with confirmed reservations in China, things can and

recommends that.

do go wrong. The best guaranWhether to take a train, plane tee for resolving unforeseen
or ferry depends on how much hassles is to use a reputable

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HONG KONG, CANADA AND JAPAN

Mother China is closer than ever

Some tours can be booked a day before departure through travel desks in hotels, but more complicated trips should be passengers notice any improve-Kong travel companies that are equipped to deal with snags—which will almost certainly occur.

Visas used to be the main problem, especially for individual travellers, Now most travel agencies can produce one in as little as three hours—for a fee. It is possible in theory to get a visa at Peking Airport, though I have yet to find anyone who

cow and London. Swire Travel is one of Hong

Post Family Bookstores and Kelly and Walsh are among several English-language bookstores that carry China-related books. The Regal Meridien Hotel at Kaitak Airport has a China trade centre, which is a clearing house of information on doing business (tel: 3-716-bon't forget to take the phone con't forget to take the phone con the control of th

WHERE TO GO

places like Guangzhou and credit cards and if they do it is Shenzhen are heavily trodden. more trouble than it is worth. there are an increasing number Carry travellers cheques or of unspoilt areas within_easy cash. striking distance of Hong Kong. • If you get stranded don't You can now play golf in China panle. Contrary to what you (on a course designed by may be told about full flights. Arnold Palmer) at the Zhong go and check in for stand-by Shan Hot Spring Golf Club and status an hour before any flight Resort, a little over an hour to Guangzhou or Hong Kong. away from Hong Kong by Last-minute seats are often

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Private villas—with jacuzzis Always remember to head for —can be ronted for quite reas—Guangzhou, where you can onable rates. (Zhong Shan always find a way back to Hong Resort's Hong Kong office: Kong Bus services from Guangroom 504, Pedder Building, zhou to the Hong Kong border Pedder Street, Hong Kong, tel: (which closes at 8 pm), are

5-210-317). available, as are taxls that cost
Best of the one-day packages, around US\$100 for the threeare probably through the quaint hour journey.

CHINA IS politically and time you have. Only a handful psychologically closer to Hong of non-Chinese airlines fly into the mainland, so flexibility the mainland, so flexibility demands, taking the state-run into the interior is not only inexpensive, but quite simple to arrange.

Some tour car be hooked as time you have. Only a handful travel agent that has good contacts—and clout—with China International Travel Service up the Pearl River to Guang-tour are also possible in a day.

For individually-tailoged travel, Abercrombie and Kent travel agent that has good contacts—and clout—with China International Travel Service up the Pearl River to Guang-tour are also possible in a day.

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Three to five days will protect travel, Abercrombie and Kent travel agent that has good contacts—and clout—with China International Travel Service up the Pearl River to Guang-tour are also possible in a day. For individually-tailored travel, Abercrombie and Kent (10F Siberian Fur Store Building, 29 Des Voeux Road, Hong tel: 5-216-657) will three to five days will provide time for the astonishing mountain scenery around Guilin (travel by air via Guang-zhou). Or take an overnight

ing, 29 Des Voeux Road, Hong Kong, tel: 5-216-657) will arrange tourist and/or business trips on short notice.

Other veteran China travel arrangers include Silkway Travel (suite 1127A Star House, Kowloom, tel: 3-724-3322), which can even connect you with the trans-Siberlan railway to Moscow and London.

Gillin (travel by air via Quang-thou). Or take an overnight to Xian (rich in dispersed archaeological sites so a car and guide will be needed). Kunming, a centre of colourful minority culture in Yunnan Province, is a short direct flight from Hong Kong. WHEN TO GO

Swire Travel is one of Hong Kong's most experienced companies handling China trips (Swire Travel, 2F, Swire House, Hong Kong, tel: 5-216-216).

American Express has opened a one-stop travel service centre on the ground floor of the New World Tower on Queen's Road Central (tel: 5-214-521).

The South China Morning Pact Family Bookstores and Contral of the New Year around February or the midaround February or the mid-autumo festival, can be a lively

but horribly crowded experi-

numbers of your Hong Kong WHERE TO GO travel agency,

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